
2000 Annual Report

**Near West
Redevelopment Project Area**



Pursuant to 65 ILCS 5/11-74.4-5(d)

JUNE 30, 2001

June 30, 2001

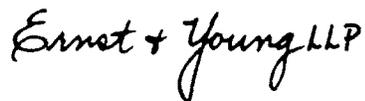
Ms. Alicia Mazur Berg
Commissioner
Department of Planning and Development
121 N. LaSalle St.
Chicago, Illinois 60602

Dear Commissioner:

Enclosed is the annual report for the Near West Redevelopment Project Area, which we compiled at the direction of the Department of Planning and Development pursuant to Section 5(d) of the Illinois Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1 et seq.), as amended. The contents are based on information provided to us by Chicago Departments of Planning and Development, Finance, and Law. We have not audited, verified, or applied agreed upon accounting and testing procedures to the data contained in this report. Therefore, we express no opinion on its accuracy or completeness.

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

Very truly yours,



Ernst & Young LLP

**Near West Redevelopment Project Area
2000 Annual Report**

TABLE OF CONTENTS

**ANNUAL REPORT – NEAR WEST REDEVELOPMENT PROJECT AREA IN COMPLIANCE WITH
SECTION (d) OF 65 ILCS 5/11-74.4-5.**

	PAGE
LETTER TO THE STATE COMPTROLLER.....	1
1) DATE OF DESIGNATION OR TERMINATION	2
2) AUDITED FINANCIALS.....	3
3) MAYOR’S CERTIFICATION.....	4
4) OPINION OF LEGAL COUNSEL.....	5
5) ANALYSIS OF SPECIAL TAX ALLOCATION FUND	6
6) DESCRIPTION OF PROPERTY.....	8
7) STATEMENT OF ACTIVITIES	9
8) DOCUMENTS RELATING TO OBLIGATIONS ISSUED BY THE MUNICIPALITY.....	13
9) ANALYSIS OF DEBT SERVICE.....	14
10) CERTIFIED AUDIT REPORT	15
11) GENERAL DESCRIPTION AND MAP.....	16



City of Chicago
Richard M. Daley, Mayor

Department of Planning
and Development

Alicia Mazur Berg
Commissioner

121 North LaSalle Street
Chicago, Illinois 60602
(312) 744-4190
(312) 744-2271 (FAX)

<http://www.cityofchicago.org>

June 30, 2001

The Honorable Daniel Hynes
Comptroller
State of Illinois
Office of the Comptroller
201 Capitol
Springfield, IL 62706

Dear Comptroller Hynes:

We have compiled the attached information for the Near West Redevelopment Project Area (Report) pursuant to 65 ILCS 5/11-74.4-5(d).

Sincerely,

A handwritten signature in black ink that reads "Alicia Mazur Berg".

Alicia Mazur Berg
Commissioner



**Near West Redevelopment Project Area
2000 Annual Report**

(1) DATE OF DESIGNATION OR TERMINATION - 65 ILCS 5/11-74.4-5(d)(1.5)

The Project Area was designated on March 23, 1989. The Project Area may be terminated no later than March 23, 2012.

**Near West Redevelopment Project Area
2000 Annual Report**

(2) AUDITED FINANCIALS - 65 ILCS 5/11-74.4-5(d)(2)

Please see attached.

CITY OF CHICAGO, ILLINOIS
NEAR WEST
REDEVELOPMENT PROJECT

FINANCIAL REPORT

DECEMBER 31, 2000 AND 1999

CITY OF CHICAGO, ILLINOIS
NEAR WEST REDEVELOPMENT PROJECT

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	1
Combined balance sheets	2
Combined statements of revenues, expenditures and changes in fund balance	3
Notes to combined financial statements	4-6
SUPPLEMENTARY INFORMATION	
Schedule of expenditures by statutory code	7

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined balance sheet of the Near West Redevelopment Project of the City of Chicago, Illinois, as of December 31, 2000, and the related combined statements of revenues, expenditures and changes in fund balance for the years ended December 31, 2000 and 1999. These combined financial statements are the responsibility of the City of Chicago's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. We previously audited and reported upon the balance sheet as of December 31, 1999, totals of which are included for comparative purposes only.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Near West Redevelopment Project of the City of Chicago, Illinois, as of December 31, 2000, and the results of its operations and changes in fund balance for the years ended December 31, 2000 and 1999 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The schedule of expenditures by statutory code on page 7, which is also the responsibility of the City of Chicago's management, is presented for purposes of additional analysis and is not a required part of the combined financial statements of Near West Redevelopment Project of the City of Chicago, Illinois. Such additional information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the combined financial statements taken as a whole.

Bansley and Kiener, L.L.P.

Certified Public Accountants

May 17, 2001

CITY OF CHICAGO, ILLINOIS
NEAR WEST REDEVELOPMENT PROJECT

COMBINED BALANCE SHEETS
DECEMBER 31, 2000
(With Comparative Totals for 1999)

<u>ASSETS</u>	<u>Governmental Funds</u>	<u>General Long-term Debt Account Group</u>	<u>Total 2000</u>	<u>Total 1999</u>
Cash and investments	\$ 21,411,990	\$ -	\$ 21,411,990	\$ 6,313,322
Property taxes receivable	4,791,652	-	4,791,652	2,600,000
Accrued interest receivable	104,229	-	104,229	-
Amount available for debt service	-	1,840,084	1,840,084	-
Amount to be provided for retirement of general long-term debt	-	9,019,916	9,019,916	-
Total assets	<u>\$ 26,307,871</u>	<u>\$ 10,860,000</u>	<u>\$ 37,167,871</u>	<u>\$ 8,913,322</u>
 <u>LIABILITIES AND FUND BALANCE</u> 				
Vouchers payable	\$ 94,925	\$ -	\$ 94,925	\$ -
Due to other City funds	70,597	-	70,597	68,978
Accrued interest payable	343,999	-	343,999	1,413
Deferred revenue	4,500,280	-	4,500,280	2,396,314
Bonds payable (Note 2)	700,000	10,860,000	11,560,000	-
Total liabilities	<u>5,709,801</u>	<u>10,860,000</u>	<u>16,569,801</u>	<u>2,466,705</u>
Fund balance				
Reserved for debt service	1,840,084	-	1,840,084	-
Designated for future redevelopment project costs	18,757,986	-	18,757,986	6,446,617
Total fund balance	<u>20,598,070</u>	<u>-</u>	<u>20,598,070</u>	<u>6,446,617</u>
Total liabilities and fund balance	<u>\$ 26,307,871</u>	<u>\$ 10,860,000</u>	<u>\$ 37,167,871</u>	<u>\$ 8,913,322</u>

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

CITY OF CHICAGO, ILLINOIS
NEAR WEST REDEVELOPMENT PROJECT

COMBINED STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEARS ENDED DECEMBER 31, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
Revenues		
Property tax	\$ 3,108,482	\$ 2,711,387
Interest	926,966	189,429
	<u>4,035,448</u>	<u>2,900,816</u>
Total revenues		
Expenditures		
Capital projects	135,131	138,237
Bond issuance costs	596,626	-
Debt service		
Principal retirement	700,000	-
Interest	324,188	-
	<u>1,755,945</u>	<u>138,237</u>
Total expenditures		
Revenues over expenditures	2,279,503	2,762,579
Other financing sources		
Proceeds of debt	<u>11,871,950</u>	<u>-</u>
Revenues and other financing sources over expenditures	14,151,453	2,762,579
Fund balance, beginning of year	<u>6,446,617</u>	<u>3,684,038</u>
Fund balance, end of year	<u>\$ 20,598,070</u>	<u>\$ 6,446,617</u>

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

CITY OF CHICAGO, ILLINOIS
NEAR WEST REDEVELOPMENT PROJECT

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Description of Project

The Near West Tax Increment Redevelopment Project Area (Project) was established in June 1996. The area has been established to finance improvements, leverage private investment and create and retain jobs. Reimbursements, if any, are made to the developer for project costs, as public improvements are completed and pass City inspection.

Basis of Accounting

The Project is accounted for within the capital project, debt service and special revenue funds of the City. The Bonds Payable are recorded in the City's General Long-term Debt Account Group. The report is presented herein on a combined basis.

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

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

Management's Use of Estimates

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

CITY OF CHICAGO, ILLINOIS
NEAR WEST REDEVELOPMENT PROJECT

NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

Note 1 – Summary of Significant Accounting Policies (Continued)

Illinois Tax Increment Redevelopment Allocation Act Compliance

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

Cash and Investments

The bond proceeds and incremental taxes associated with the Near West Tax Increment Financing District are deposited with the City Treasurer or in a separate trust account. Eligible project expenditures are approved by the Department of Planning and Development in accordance with the project budget and paid from the trust account. Eligible project expenditures may be paid from bond proceeds or incremental taxes in excess of next year's annual debt service, after fully funding of all other funds and accounts.

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

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

The City values its investments at fair value or amortized cost. U.S. Government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost.

Property Taxes

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

CITY OF CHICAGO, ILLINOIS
NEAR WEST REDEVELOPMENT PROJECT

NOTES TO COMBINED FINANCIAL STATEMENTS
(Continued)

Note 2 – Bonds Payable

In July 2000, the City issued \$11,560,000 of Near West Tax Increment Allocation Bonds with interest rates ranging from 4.625 percent to 6.0 percent. The bonds have maturity dates ranging from January 1, 2001, to January 1, 2012. Net proceeds of \$11,560,000 were used to finance certain project costs in the Near West Redevelopment Project Area (\$10,404,000) and to fund debt service and related reserve accounts (\$1,156,000).

The aggregate maturities of the bonds (principal portion only) are as follows:

2001	\$ -
2002	740,000
2003	780,000
2004	825,000
2005	870,000
Thereafter	<u>7,645,000</u>
	<u>\$10,860,000</u>

Note 3 – Commitments

As of December 31, 2000 the Project has entered into contracts for approximately \$990,000 for services and construction projects.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES BY STATUTORY CODE

<u>Code Description</u>	<u>2000</u>	<u>1999</u>
Costs of studies, surveys, development of plans and specifications, implementation and administration of the redevelopment plan including but not limited to staff and professional service costs for architectural, engineering, legal, marketing	\$ 68,339	\$ 80,411
Costs of the construction of public works or improvements	66,792	\$ 57,826
Costs of financing, including but not limited to all necessary and incidental expenses related to the issuance of obligations and which may include payment of interest on any obligations issued hereunder accruing during the estimated period of construction of any redevelopment project for which such obligations are issued and for not exceeding 36 months thereafter and including reasonable reserves related thereto	1,620,814	-
	<u>\$ 1,755,945</u>	<u>\$ 138,237</u>

**Near West Redevelopment Project Area
2000 Annual Report**

(3) MAYOR'S CERTIFICATION - 65 ILCS 5/11-74.4-5(d)(3)

Please see attached.

STATE OF ILLINOIS)
)
COUNTY OF COOK)

CERTIFICATION

TO:

Daniel W. Hynes
Comptroller of the State of Illinois
James R. Thompson Center
100 West Randolph Street, Suite 15-500
Chicago, Illinois 60601
Attention: Carol Reckamp, Director of Local
Government

Dolores Javier, Treasurer
City Colleges of Chicago
226 West Jackson Boulevard, Rm. 1149
Chicago, Illinois 60606

Gwendolyn Clemons, Director
Cook County Department of Planning &
Development
69 West Washington Street, Room 2900
Chicago, Illinois 60602
Attn: Kay Kosmal

Dean L. Viverito, Comptroller
Forest Preserve District of Cook County
536 North Harlem Avenue
River Forest, Illinois 60305

Michael Koldyke, Chairman
Chicago School Finance Authority
135 S. LaSalle Street, Suite 3800
Chicago, Illinois 60603

David Doig, General Superintendent & CEO
Chicago Park District
541 N. Fairbanks Court, 7th Floor
Chicago, Illinois 60611

Paul Vallas, Chief Executive Officer
Chicago Board of Education
125 South Clark Street, 5th Floor
Chicago, Illinois 60603
Attn: Linda Wrightsell

Mary West, Director of Finance
Metropolitan Water Reclamation District of
Greater Chicago
100 East Erie Street, Room 2429
Chicago, Illinois 60611

Lawrence Gulotta, Treasurer
South Cook County Mosquito Abatement
District
155th & Dixie Highway
P.O. Box 1030
Harvey, Illinois 60426
Attn: Dr. K. Lime, Manager

I, RICHARD M. DALEY, in connection with the annual report (the "Report") of information required by Section 11-74.4-5(d) of the Tax Increment Allocation Redevelopment Act, 65 ILCS5/11-74.4-1 et seq, (the "Act") with regard to the Near West Redevelopment Project Area (the "Redevelopment Project Area"), do hereby certify as follows:

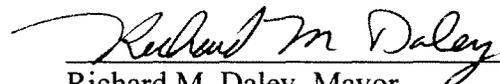
1. I am the duly qualified and acting Mayor of the City of Chicago, Illinois (the "City") and, as such, I am the City's Chief Executive Officer. This Certification is being given by me in such capacity.

2. During the preceding fiscal year of the City, being January 1 through December 31, 2000, the City complied, in all material respects, with the requirements of the Act, as applicable from time to time, regarding the Redevelopment Project Area.

3. In giving this Certification, I have relied on the opinion of the Corporation Counsel of the City furnished in connection with the Report.

4. This Certification may be relied upon only by the addressees hereof.

IN WITNESS WHEREOF, I have hereunto affixed my official signature as of this 30th day of June, 2001.


Richard M. Daley, Mayor
City of Chicago, Illinois

**Near West Redevelopment Project Area
2000 Annual Report**

(4) OPINION OF LEGAL COUNSEL - 65 ILCS 5/11-74.4-5(d)(4)

Please see attached.



City of Chicago
Richard M. Daley, Mayor

Department of Law

Mara S. Georges
Corporation Counsel

City Hall, Room 600
121 North LaSalle Street
Chicago, Illinois 60602
(312) 744-6900
(312) 744-8538 (FAX)
(312) 744-2963 (TTY)

<http://www.ci.chi.il.us>

June 30, 2001

Daniel W. Hynes
Comptroller of the State of Illinois
James R. Thompson Center
100 West Randolph Street, Suite 15-500
Chicago, Illinois 60601
Attention: Carol Reckamp, Director of Local
Government

Dolores Javier, Treasurer
City Colleges of Chicago
226 West Jackson Boulevard, Rm. 1149
Chicago, Illinois 60606

Gwendolyn Clemons, Director
Cook County Department of Planning &
Development
69 West Washington Street, Room 2900
Chicago, Illinois 60602
Attn: Kay Kosmal

Dean L. Viverito, Comptroller
Forest Preserve District of Cook County
536 North Harlem Avenue
River Forest, Illinois 60305

Michael Koldyke, Chairman
Chicago School Finance Authority
135 S. LaSalle Street, Suite 3800
Chicago, Illinois 60603

David Doig, General Superintendent &
CEO
Chicago Park District
541 N. Fairbanks Court, 7th Floor
Chicago, Illinois 60611

Paul Vallas, Chief Executive Officer
Chicago Board of Education
125 South Clark Street, 5th Floor
Chicago, Illinois 60603
Attn: Linda Wrightsell

Mary West, Director of Finance
Metropolitan Water Reclamation District
of Greater Chicago
100 East Erie Street, Room 2429
Chicago, Illinois 60611

Lawrence Gulotta, Treasurer
South Cook County Mosquito Abatement
District
155th & Dixie Highway
P.O. Box 1030
Harvey, Illinois 60426
Attn: Dr. K. Lime, Manager

Re: Near West
Redevelopment Project Area (the "Redevelopment Project Area")

Dear Addressees:

I am Corporation Counsel of the City of Chicago, Illinois (the "City"). In such capacity, I am providing the opinion required by Section 11-74.4-5(d)(4) of the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 *et seq.* (the "Act"), in connection with the submission of the report (the "Report") in accordance with, and containing the information required by, Section 11-74.4-5(d) of the Act for the Redevelopment Project Area.



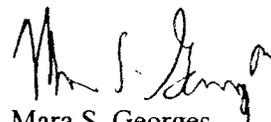
Attorneys, past and present, in the Law Department of the City familiar with the requirements of the Act have had general involvement in the proceedings affecting the Redevelopment Project Area, including the preparation of ordinances adopted by the City Council of the City with respect to the following matters: approval of the redevelopment plan and project for the Redevelopment Project Area, designation of the Redevelopment Project Area as a redevelopment project area and adoption of tax increment allocation financing for the Redevelopment Project Area, all in accordance with the then applicable provisions of the Act. Various departments of the City, including, if applicable, the Law Department, Department of Planning and Development, Department of Housing, Department of Finance and Office of Budget and Management, have personnel responsible for and familiar with the activities in the Redevelopment Project Area affecting such Department(s) and with the requirements of the Act in connection therewith. Such personnel are encouraged to seek and obtain, and do seek and obtain, the legal guidance of the Law Department with respect to issues that may arise from time to time regarding the requirements of, and compliance with, the Act.

In my capacity as Corporation Counsel, I have relied on the general knowledge and actions of the appropriately designated and trained staff of the Law Department and other applicable City Departments involved with the activities affecting the Redevelopment Project Area. In addition, I have caused to be examined or reviewed by members of the Law Department of the City the certified audit report, to the extent required to be obtained by Section 11-74.4-5(d)(9) of the Act and submitted as part of the Report, which is required to review compliance with the Act in certain respects, to determine if such audit report contains information that might affect my opinion. I have also caused to be examined or reviewed such other documents and records as were deemed necessary to enable me to render this opinion. Nothing has come to my attention that would result in my need to qualify the opinion hereinafter expressed, subject to the limitations hereinafter set forth, unless and except to the extent set forth in an Exception Schedule attached hereto as Schedule 1.

Based on the foregoing, I am of the opinion that, in all material respects, the City is in compliance with the provisions and requirements of the Act in effect and then applicable at the time actions were taken from time to time with respect to the Redevelopment Project Area.

This opinion is given in an official capacity and not personally and no personal liability shall derive herefrom. Furthermore, the only opinion that is expressed is the opinion specifically set forth herein, and no opinion is implied or should be inferred as to any other matter. Further, this opinion may be relied upon only by the addressees hereof and the Mayor of the City in providing his required certification in connection with the Report, and not by any other party.

Very truly yours,



Mara S. Georges
Corporation Counsel

SCHEDULE 1

(Exception Schedule)

No Exceptions

Note the following Exceptions:

Near West Redevelopment Project Area 2000 Annual Report

(5) ANALYSIS OF SPECIAL TAX ALLOCATION FUND - 65 ILCS 5/11-74.4-5(d)(5)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2000	
	2000
Revenues	
Property tax	\$ 3,108,482
Sales tax	-
Interest	926,966
Total revenues	4,035,448
Expenditures	
Costs of studies, admin., and professional services. (q)(1)	68,339
Marketing Costs. (q)(1.6)	-
Property assembly, demolition, site preparation and environmental site improvement costs. (q)(2)	-
Costs of rehabilitation, reconstruction, repair or remodeling and of existing buildings. (q)(3)	-
Costs of construction of public works and improvements. (q)(4)	66,792
Cost of job training and retraining. (q)(5)	-
Financing costs. (q)(6)	1,620,814
Approved capital costs of overlapping taxing districts. (q)(7)	-
Cost of reimbursing school district for their increase costs caused by TIF assisted housing projects (q)(7.5)	-
Relocation costs. (q)(8)	-
Payments in lieu of taxes. (q)(9)	-
Costs of job training, retraining advanced vocational or career education provided by other taxing bodies. (q)(10)	-
Costs of reimbursing private developers for interest expenses incurred on approved redevelopment projects. (q)(11)(A-E)	-
Costs of construction of new housing units for low income and very low income households. (q)(11)(F)	-
Cost of day care services and operational costs of day care centers. (q)(11.5)	-
Total expenditures	1,755,945
Revenues over expenditures	2,279,503
Operating financing sources	
Proceeds of debt	11,871,950
Revenues and other financing sources over expenditures	14,151,453
Fund balance, beginning of year	6,446,617
Fund balance, end of year	\$ 20,598,070
Fund balance	
Reserved for debt service	\$ 1,840,084
Reserved for encumbrances	-
Designated for future redevelopment project costs	18,757,986
Total fund balance	<u>\$ 20,598,070</u>

Near West Redevelopment Project Area 2000 Annual Report

(5) ANALYSIS OF SPECIAL TAX ALLOCATION FUND - 65 ILCS 5/11-74.4-5(d)(5) cont.

Below is listed all vendors, including other municipal funds, that were paid in excess of \$5,000 during the current reporting year.

Name	Service	Amount
Chicago Dept. of Transportation	Public Improvement	\$32,405
Consoer Townsend Envirodyne	Consultant	\$34,386
Cole Taylor Bank	Financial	\$1,027,188
Shefsky & Froelich	Financial	\$49,875
Charity & Associates	Legal	\$28,500
Burke Burns & Pinelli	Legal	\$21,375
S.B. Friedman & Co.	Consultant	\$68,000
Katten Muchin & Zavis	Legal	\$66,500
Bigelow & Company	Financial	\$178,916
Ambac Assurance Corporation	Financial	\$153,137
Standard & Poor's	Financial	\$12,000
Bowne	Printing	\$15,323
Administrative Costs ¹	Admin.	\$68,339

¹ Costs relate directly to the salaries of Department of Planning employees working solely on tax increment financing districts and their related fringe benefits.

**Near West Redevelopment Project Area
2000 Annual Report**

(6) DESCRIPTION OF PROPERTY - 65 ILCS 5/11-74.4-5(d)(6)

During 2000, the City did not purchase any property in the Project Area.

Near West Redevelopment Project Area 2000 Annual Report

(7) STATEMENT OF ACTIVITIES - 65 ILCS 5/11-74.4-5(d)(7)

- (A)** Projects implemented in the preceding fiscal year.
- (B)** A description of the redevelopment activities undertaken.
- (C)** Agreements entered into by the City with regard to disposition or redevelopment of any property within the Project Area.
- (D)** Additional information on the use of all Funds received by the Project Area and steps taken by the City to achieve the objectives of the Redevelopment Plan.
- (E)** Information on contracts that the City's consultants have entered into with parties that have received, or are receiving, payments financed by tax increment revenues produced by the Project Area.
- (F)** Joint Review Board reports submitted to the City.
- (G)** Project-by-project review of public and private investment undertaken from 11/1/99 to 12/31/00, and of such investments expected to be undertaken in Year 2001; also, a project-by-project ratio of private investment to public investment from 11/1/99 to 12/31/00, and an estimated ratio of such investments as of the completion of each project and as estimated to the completion of the redevelopment project.

SEE TABLES AND/OR DISCUSSIONS ON THE FOLLOWING PAGES.

Near West Redevelopment Project Area 2000 Annual Report

(7)(A) - 65 ILCS 5/11-74.4-5(d)(7)(A)

During 2000, no projects were implemented.

(7)(B) - 65 ILCS 5/11-74.4(d)(7)(B)

Redevelopment activities undertaken within this Project Area during the year 2000, if any, have been made pursuant to i) the Redevelopment Plan for that Project Area, and ii) the one or more Redevelopment Agreements, if any, affecting the Project Area, and are set forth on Table 5 herein by TIF-eligible expenditure category.

(7)(C) - 65 ILCS 5/11-74.4(d)(7)(C)

During 2000, no agreements were entered into with regard to the disposition or redevelopment of any property within the Project Area.

Near West Redevelopment Project Area 2000 Annual Report

(7)(D) - 65 ILCS 5/11-74.4(d)(7)(D)

The Project Area has received \$ 12,089,891 of property tax and sales tax (if applicable) increment since the creation of the Project Area. These amounts have been used to pay for project costs within the Project Area and for debt service (if applicable). The Project Area's fund balance as shown on Table 5 represents (on a modified accrual basis) financial resources (including increment) that have not been expended.

(7)(E) - 65 ILCS 5/11-74.4(d)(7)(E)

During 2000, no contracts were entered into by the City's tax increment advisors or consultants with entities or persons that have received, or are receiving, payments financed by tax increment revenues produced by the Project Area.

**Near West Redevelopment Project Area
2000 Annual Report**

(7)(F) - 65 ILCS 5/11-74.4(d)(7)(F)

During 2000, no reports were submitted to the City by the Joint Review Board.

(7)(G) - 65 ILCS 5/11-74.4(d)(7)(G)

During 2000, no public investment was undertaken in the Project Area. As of December 31, 2000, no public investment was estimated to be undertaken for 2001.

**Near West Redevelopment Project Area
2000 Annual Report**

**(8) DOCUMENTS RELATING TO OBLIGATIONS ISSUED BY THE
MUNICIPALITY - 65 ILCS 5/11-74.4-5(d)(8)(A)**

This information is contained in the official statements, limited offering memoranda, promissory notes or debt service schedules of such obligations. See attached.

NEW ISSUE — BOOK-ENTRY ONLY

**Rating: See
"RATING" herein.**

The delivery of the Bonds is subject to the opinion of Katten Muchin Zavis and Charity & Associates P.C., Co-Bond Counsel, to the effect that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes and that, assuming continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended, interest on the Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of computing individual and corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. See "TAX EXEMPTION" herein. Interest on the Bonds is not exempt from present Illinois income taxes.



\$11,560,000
City of Chicago
Tax Increment Allocation Bonds
(Near West Redevelopment Project)
Series 2000

Dated: July 1, 2000

Due: January 1, as shown below

The Tax Increment Allocation Bonds (Near West Redevelopment Project), Series 2000 (the "Bonds") will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof pursuant to a Trust Indenture (the "Master Indenture") dated as of July 1, 2000, from the City of Chicago (the "City") to Cole Taylor Bank, as Trustee (the "Trustee"), as supplemented by a First Supplemental Indenture, dated as of July 1, 2000, from the City to the Trustee (the "First Supplemental Indenture" and collectively with the Master Indenture, the "Indenture"). The Depository Trust Company, New York, New York ("DTC"), will act as the securities depository for the Bonds and its nominee will be the Owner of the Bonds. Individual purchases of the Bonds will be recorded on a book-entry only system operated by DTC. For further details on ownership, payments, notices and other matters under the book-entry only system, see "DESCRIPTION OF THE BONDS — Book-Entry System" herein.

Interest on the Bonds is payable on each January 1 and July 1, commencing January 1, 2001. Principal of the Bonds is payable at maturity. The Bonds are not subject to redemption prior to their stated maturity.

Proceeds from sale of the Bonds will be used to: (i) pay certain Project Costs in the Near West Project Area; (ii) fund the required deposit into the Reserve Account; and (iii) pay costs related to issuing the Bonds, including the costs associated with a policy insuring payment of principal and interest of the Bonds.

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by Ambac Assurance Corporation, simultaneously with the delivery of the Bonds.

Ambac

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Maturity (January 1)</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price</u>	<u>Maturity (January 1)</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price</u>
2001	700,000 ✓	6.000	100.685	2007	970,000 ✓	5.500	102.123
2002	740,000 ✓	4.625	99.752	2008	1,025,000 ✓	5.500	101.959
2003	780,000 ✓	5.500	101.331	2009	1,080,000 ✓	5.250	100.269
2004	825,000 ✓	5.500	101.731	2010	1,145,000 ✓	6.000	105.538
2005	870,000 ✓	5.500	102.018	2011	1,215,000 ✓	6.000	105.649
2006	920,000 ✓	5.500	102.173	2012	1,290,000 ✓	6.000	105.516

(ACCRUED INTEREST FROM JULY 1, 2000 TO BE ADDED)

The Bonds are limited obligations of the City, payable solely from Pledged Revenues, including Incremental Taxes, as described herein, and from amounts on deposit in and pledged to certain funds and accounts as provided in the Indenture. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NO OWNER OF THE BONDS WILL HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE CITY, THE STATE OF ILLINOIS OR ANY OTHER POLITICAL SUBDIVISION THEREOF FOR ANY PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

The Bonds are offered when, as, and if issued by the City, subject to the delivery of the legal opinions of Katten Muchin Zavis and Charity & Associates P.C., Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the City by its Corporation Counsel and for the Underwriter by its co-counsel, Shefsky & Froelich Ltd. and Burke Burns & Pinelli, Ltd., Chicago, Illinois. It is expected that the Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about July 12, 2000.

BIGELOW & COMPANY

Dated: June 27, 2000

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
THE CITY	2
DESCRIPTION OF THE BONDS	2
General Description	2
No Redemption Prior to Maturity	2
Negotiability, Transfer, Exchange and Registry	2
Book-Entry System	3
SECURITY FOR THE BONDS	6
Limited Obligations	6
Pledge of Pledged Revenues	6
Debt Service Reserve Requirement	7
Incremental Taxes Fund	7
Additional Bonds; Refunding Bonds; Junior Lien Obligations	10
BOND INSURANCE	10
Ambac Assurance Corporation	10
Available Information	11
Incorporation of Certain Documents by Reference	11
Y2K Update	12
Payment Pursuant to Municipal Bond Insurance Policy	12
BONDOWNER'S RISKS	13
Limited Source of Payment	13
Assumptions in Consultant's Projections	14
Economic Risks Affecting Incremental Taxes	14
Changes in Multiplier and Tax Rates	15
Changes in Law	15
Changes in Tax Procedures	16
Transfer of Amounts from Incremental Taxes Fund	16
ESTIMATED SOURCES AND USES OF FUNDS	17
PROJECTED DEBT SERVICE COVERAGE	18
FINANCIAL INFORMATION	19
Summary of Incremental Tax Receipts for Near West Project Area	19
TAX INCREMENT FINANCING	19
Recent Legislation	21
NEAR WEST PROJECT AREA	22
General	22
Neighborhood Description	23
REAL PROPERTY TAX SYSTEM	23
Real Property Assessment, Tax Levy and Collection Procedures	23
Property Tax Limits	29

This Official Statement does not constitute an offer to sell the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or make any representations, other than those contained herein, in connection with the offering of the Bonds, and, if given or made, such other information or representations must not be relied upon. The delivery of this Official Statement at any time does not imply that the information or opinions herein are correct as of any time subsequent to its date. The information set forth herein has been obtained by the Underwriter from the City, the Consultant, DTC and other sources believed to be reliable. All expressions of opinion herein whether or not so stated as such are intended merely as such and not as representations of fact. No statement herein is to be considered as a contract with any purchaser or Owner of the Bonds.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the City's beliefs as well as assumptions made by and information currently available to the City. These statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

Neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the redevelopment project herein described or in the affairs of the City or any other party since the dates as of which information is given herein.

No representation is made regarding whether the Bonds constitute legal investments under the laws of any state for banks, savings banks, savings and loan associations, life insurance companies, and other institutions organized in such state, or fiduciaries subject to the laws of such state.

The Bonds will not be registered under the Securities Act of 1933, as amended, pursuant to an exemption from the registration requirement of such act, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity will have passed upon the accuracy or adequacy of this Official Statement or, other than the authorizing action by the City, approved the Bonds for sale. Any representation to the contrary may be a criminal offense.

In connection with the issuance of the Bonds, the City will enter into a Continuing Disclosure Undertaking. See "SECONDARY MARKET DISCLOSURE" herein.

IN CONNECTION WITH OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. THE UNDERWRITER IS NOT OBLIGATED TO TAKE SUCH ACTIONS, AND SUCH STABILIZING ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

OFFICIAL STATEMENT

\$11,560,000
CITY OF CHICAGO
TAX INCREMENT ALLOCATION BONDS
(NEAR WEST REDEVELOPMENT PROJECT),
SERIES 2000

INTRODUCTION

This Official Statement, which includes the Cover Page and Appendices, sets forth information concerning the City of Chicago (the "City") and the City's \$11,560,000 Tax Increment Allocation Bonds (Near West Redevelopment Project), Series 2000 (the "Bonds"). The Bonds are being issued under and pursuant to the Tax Increment Allocation Redevelopment Act, Section 11-74.4-1 *et seq.* of the Illinois Municipal Code, as supplemented and amended (the "Act"), an ordinance adopted by the City Council on May 12, 1999 (the "Ordinance"), and a Trust Indenture (the "Master Indenture") dated as of July 1, 2000, from the City to Cole Taylor Bank, as Trustee (the "Trustee"), as amended and supplemented by a First Supplemental Indenture dated as of July 1, 2000, from the City to the Trustee (the "First Supplemental Indenture" and, together with the Master Indenture, the "Indenture"). The Bonds are limited obligations of the City, payable solely from Pledged Revenues, as defined herein, including the amounts on deposit in and pledged to certain funds and accounts established under the Indenture. The Bonds have a lien on the Pledged Revenues and the funds and accounts established under the Indenture. The Indenture permits the issuance of Additional Bonds having a parity lien with the Bonds in the Pledged Revenues and certain of the funds and accounts established under the Indenture. For additional information, see "SECURITY FOR THE BONDS" herein.

Proceeds of the Bonds will be used to: (i) pay certain Project Costs; (ii) fund the required deposit into the Reserve Account; and (iii) pay costs related to issuing the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

The Madison-Racine Redevelopment Project Area was originally designated pursuant to ordinances adopted by the City Council of the City on March 23, 1989 (the "Original Project Area"). The Original Project Area was expanded by ordinances adopted by the City Council of the City on June 10, 1996, and as so expanded is referred to in this Official Statement as the "Near West Project Area." See "NEAR WEST PROJECT AREA" herein.

The summaries of, and references to, all documents, agreements, ordinances, statutes, reports or other instruments referred to in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document, agreement, ordinance, statute, report or instrument.

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy (the "Municipal Bond Insurance Policy") to be issued by Ambac Assurance Corporation (the "Bond Insurer") upon the delivery of the Bonds. The Municipal Bond Insurance Policy extends for the life of the Bonds and cannot be canceled by the Bond Insurer. See "BOND INSURANCE" herein and "APPENDIX D - Specimen Municipal Bond Insurance Policy." So long as the Bond Insurer is not in default under the Municipal Bond Insurance Policy, the Bond Insurer will have the right, exercisable in each case without notice to or the consent of the Owners of the Bonds, to: (i) consent, on behalf of the Owners of the

Each Bond will be transferable only upon the registration books of the City, which will be kept for that purpose by the Registrar. Upon the transfer of any such Bond, the City will issue, in the name of the transferee, a new Bond or Bonds in Authorized Denominations of the same aggregate principal amount and maturity as the surrendered Bond.

The City and each Fiduciary may deem and treat the person in whose name any Bond is registered upon the registration books of the City as the absolute owner of the Bond, whether the Bond is overdue or not, for the purpose of receiving payment of, or on account of, the Redemption Price of and interest on the Bond and for all other purposes, and all such payments so made to any such Owner or upon its order will be valid and effectual to satisfy and discharge the liability upon the Bond to the extent of the sums or sums so paid, and neither the City nor any Fiduciary will be affected by any notice to the contrary.

In all cases in which the privilege of transferring or exchanging the Bond is exercised, the City will execute, and the Trustee will authenticate, and deliver Bonds in accordance with the provisions of the Indenture. All Bonds surrendered in any exchange will be canceled by the Trustee. For any exchange or transfer of Bonds, whether temporary or definitive, the City, the Trustee or the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid. The Registrar and the Trustee will not be required to make any registration, transfer or exchange of any Bond, during the period between each Record Date and the next succeeding Interest Payment Date or after the Bond has been called for redemption or during the fifteen days next preceding the date of first giving notice of redemption.

Book-Entry System

General. The following information concerning DTC has been furnished by DTC for use in this Official Statement. Neither the City nor the Underwriter is responsible for its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. When the Bonds are issued, ownership interests will be available to purchasers only by or through DTC Participants (defined below) by a book entry system (the "Book-Entry Only System") maintained by DTC. The following discussion will not apply to Bonds issued in physical form due to the discontinuance of the Book-Entry Only System.

DTC and Its Participants. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are collectively referred

payment on the Payment Date. Payments by Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the City or the Trustee, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Trustee; disbursement of such payments to Direct Participants is the responsibility of DTC; and disbursement of such payments to the beneficial owners is the responsibility of Direct and Indirect Participants.

For every transfer and exchange of the Bonds, the Trustee and DTC and the DTC Participants will charge the beneficial owner a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City and the Trustee. Under such circumstances, if a successor securities depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered.

NEITHER THE CITY NOR THE TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE PERSONS FOR WHOM PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO PAYMENTS ON THE BONDS OR THE PROVIDING OF NOTICE TO PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OF THE BONDS OR THE SELECTION OF PORTIONS OF THE BONDS FOR REDEMPTION.

NEITHER THE TRUSTEE NOR THE CITY WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT OF A DEPOSITORY, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN ANY BONDS UNDER OR THROUGH A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY, OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING REGISTERED OWNERS, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY, THE PAYMENT BY A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY OF ANY AMOUNT IN RESPECT OF PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON ANY BOND, ANY NOTICE WHICH IS REQUIRED TO BE GIVEN TO REGISTERED OWNERS UNDER THE INDENTURE, THE SELECTION BY A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS.

Debt Service Reserve Requirement

At the time the Bonds are delivered, an amount equal to \$1,156,000 will be deposited into a Sub-Account of the Reserve Account established for the Bonds (the "Series 2000 Reserve Sub-Account"). The Debt Service Reserve Requirement established under the First Supplemental Indenture is \$1,156,000, which is the lesser of: (i) ten percent (10%) of the original principal amount of the Bonds; or (ii) the Maximum Annual Debt Service. Moneys on deposit in the Series 2000 Reserve Sub-Account will be transferred to the Principal and Interest Account as may be necessary from time to time to prevent or remedy any deficiency therein.

Incremental Taxes Fund

In accordance with the provisions of the Act and the Indenture, the Incremental Taxes are to be paid to the Treasurer by the officers who collect or receive the Incremental Taxes and then deposited into the Incremental Taxes Fund which is a trust fund established to carry out the covenants, terms and conditions imposed upon the City by the Indenture and the Ordinance, and any indenture or ordinance supplemental to the Indenture authorizing the issuance of Bonds. All Pledged Revenues, including Incremental Taxes, deposited in the Incremental Taxes Fund will be transferred by the Treasurer to the Trustee for application by the Trustee in accordance with the Indenture. The moneys on deposit in the Incremental Taxes Fund will be used by the City and the Trustee solely and only for the purpose of carrying out the terms and conditions of the Indenture and will be deposited as provided in the Indenture to the separate accounts created by the Indenture within the Incremental Taxes Fund, to be known as the "Program Expenses Account," the "Principal and Interest Account," the "Reserve Account," the "General Account" and the "Rebate Account." The General Account will be held by the City while all other accounts will be held by the Trustee, except as provided below. Under the Indenture, the City may, but is not required to, establish separate sub-accounts in the Reserve Account by an indenture or indentures supplemental to the Indenture authorizing the issuance of Bonds. As moneys are deposited by the City into the Incremental Taxes Fund, such moneys will be credited in the following order of priority:

Program Expenses Account. The Trustee will apply Incremental Taxes first to the Program Expenses Account in an amount sufficient to pay Program Expenses, if any, for the next succeeding calendar year. The City will provide the Trustee with information, calculations or estimates of Program Expenses for the next succeeding calendar year, and the Trustee may reasonably rely upon such information, calculations or estimates in determining the proper amount to deposit into the Program Expenses Account. Amounts on deposit in the Program Expenses Account are not pledged to pay principal or interest on the Bonds. A portion of the proceeds of the Bonds may also be deposited into the Program Expenses Account and applied by the Trustee to pay costs of issuing the Bonds at the direction of the City.

Principal and Interest Account. Second, the Trustee will transfer the balance of the Incremental Taxes into the Principal and Interest Account to the extent provided in the Indenture. Except as described below, such moneys shall be used solely and only to pay principal of, redemption premium, if any, and interest on the Bonds.

On December 1 of each year, the Trustee shall determine: (i) the amount of Pledged Revenues to the credit of the Principal and Interest Account; and (ii) the amount of proceeds of the Bonds, together with investment earnings on those proceeds, to the credit of the Capitalized Interest Sub-Account; provided, however, the Trustee shall determine the foregoing within 30 days of the receipt of Incremental Taxes if such

- (vii) to finance or pay Redevelopment Project Costs (as defined in the Act) arising in a redevelopment project area that is an adjacent redevelopment project area (as specified and in accordance with the Act) to the extent permitted by the Near West Redevelopment Plan; or
- (viii) to distribute the funds to the taxing districts or municipal corporations having the power to tax real property in the Near West Project Area in accordance with the Act.

If in any calendar year the amount of Incremental Taxes received by the City is less than 1.30 times Maximum Annual Debt Service (determined as of the last day of such calendar year), the Trustee will not transfer any additional Incremental Taxes to the General Account pursuant to the Indenture. Instead, the Trustee will hold all Incremental Taxes otherwise available for transfer to the General Account in an account within the Incremental Taxes Fund designated as the "Special Reserve Account." Amounts in the Special Reserve Account may be used solely to pay principal of and interest on the Bonds in the event moneys are not otherwise available for such purpose under the Indenture. At such time as the amount of Incremental Taxes received by the City in a calendar year equals or exceeds 1.30 times Maximum Annual Debt Service (determined as of the last day of such calendar year), all amounts on deposit in the Special Reserve Account will be transferred to the General Account.

Rebate Account. Deposits will be made from the General Account to the Rebate Account as necessary to fund the Rebate Account in anticipation of making required rebate payments to the United States in accordance with the provisions of the Code. The amount to be deposited will be certified to the Trustee from time to time by the City. All rebates, special impositions or taxes for this purpose payable to the United States of America (Internal Revenue Service) will be paid from the Rebate Account. Amounts on deposit in the Rebate Account are not pledged to pay principal of or interest on the Bonds.

Investments. (a) Moneys held in any fund, account or sub-account by the City, the Trustee or a Depository will be invested and reinvested by the City at the written direction of an Authorized Officer in Investment Securities that mature no later than necessary to provide moneys when needed for payments to be made from such fund, account or sub-account; (b) moneys held in two or more funds, accounts or sub-accounts may be jointly invested in one or more Investment Securities, provided that the investment complies with all the terms and conditions relating to the investment of moneys in the funds, accounts or sub-accounts, as the case may be, and the City maintains books and records allocating the investment as among the funds, accounts or sub-accounts; (c) any earnings on investments held in any Sub-Account of the Reserve Account will be credited to the Principal and Interest Account whether or not the balance in such Sub-Account equals the applicable Debt Service Reserve Requirement. Investment income from investments held in the various other funds, accounts and sub-accounts will remain in and be a part of the respective funds, accounts and sub-accounts in which the investments are held, except as otherwise provided in the Indenture; and (d) notwithstanding any other provisions of the Indenture to the contrary, all investments made under the Indenture must be consistent with the expectations expressed in any arbitrage certificate executed on behalf of the City and filed with the Trustee with respect to any Bonds issued under the Indenture.

Rico, with admitted assets of approximately \$4,031,000,000 (unaudited) and statutory capital of approximately \$2,474,000,000 (unaudited) as of March 31, 2000. Statutory capital consists of the Bond Insurer's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch IBCA, Inc. have each assigned a triple-A financial strength rating to the Bond Insurer.

The Bond Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Bond Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Bond Insurer under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Bonds.

The Bond Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by the Bond Insurer and presented under the heading "BOND INSURANCE" and "APPENDIX D - Specimen Municipal Bond Insurance Policy."

Available Information

The parent company of the Bond Insurer, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Incorporation of Certain Documents by Reference

Copies of the Bond Insurer's financial statements prepared in accordance with statutory accounting standards are available from the Bond Insurer. The address of the Bond Insurer's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York, 10004 and (212) 668-0340.

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

- 1) The Company's Current Report on Form 8-K dated January 26, 2000 and filed on January 27, 2000;
- 2) The Company's Current Report on Form 8-K dated March 13, 2000 and filed on March 13, 2000;

In the event the Trustee or Paying Agent has notice that any payment of principal or interest on a Bond which has become Due for Payment and which is made to a Owner of a Bond by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Municipal Bond Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Municipal Bond Insurance Policy. Specifically, the Municipal Bond Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;
2. payment of any redemption, prepayment or acceleration premium; or
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of the Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of the Bond Insurer to the extent of the payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of a Owner's entitlement to interest payments and an appropriate assignment of the Owner's right to payment to the Bond Insurer.

Upon payment of the insurance benefits, the Bond Insurer will become the Owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Owner's rights to payment.

BONDOWNER'S RISKS

The following is a summary of some of the risks that may affect an investment in the Bonds. The summary is not intended to be complete and does not purport to identify all possible risks that should be considered by prospective purchasers of the Bonds. For a further discussion of risks, see the Report of S.B. Friedman & Company, the consulting firm engaged by the City (the "Consultant"), attached hereto as APPENDIX B.

Limited Source of Payment

The Bonds are limited obligations of the City, payable solely from Pledged Revenues set aside in the Incremental Taxes Fund, consisting primarily of Incremental Taxes derived by the City from the Near West Project Area. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation or a pledge of the full faith and credit of the City or the State of Illinois. No Owner of the Bonds will have the right to compel the exercise of any taxing power of the City, the State or any other political subdivision thereof to pay principal of, or interest or premium, if any, on the Bonds. Subject to the conditions set forth in the Indenture, Additional Bonds and Refunding Bonds,

modified. If, as a result of such a reduction or modification, the assessed valuations of properties located in the Near West Project Area were materially decreased, there could be an adverse material effect on Incremental Taxes generated in the Near West Project Area and the ability to pay debt service on the Bonds. See "REAL PROPERTY TAX SYSTEM – Real Property Assessment, Tax Levy and Collection Procedures – Assessment."

Changes in Multiplier and Tax Rates

The equalization factor annually determined by the Illinois Department of Revenue for properties located within Cook County (commonly referred to as the "multiplier"), may vary substantially in future years. See "REAL PROPERTY TAX SYSTEM — Real Property Assessment, Tax Levy and Collection Procedures – Equalization" herein. A decrease in the multiplier would reduce the equalized assessed value of the taxable real property in the Near West Project Area and, therefore, the Incremental Taxes available to pay debt service on the Bonds. The future tax rates of the units of local government levying taxes in the Near West Project Area (the "Units"), either individually or on a composite basis, may differ from their historical levels. Any decrease in the composite tax rate of the Units would decrease the amount of Incremental Taxes available to pay debt service on the Bonds. Any decrease in the composite tax rate of the Units could occur in future years as a result of various factors, including, but not limited to one or more of the following: (a) reduced governmental costs; (b) constitutional or statutory spending or tax rate limitations; or (c) governmental reorganization or consolidation. See also "REAL PROPERTY TAX SYSTEM – Property Tax Limits" herein.

Changes in Law

In recent years, a number of states have enacted legislation significantly reducing the reliance of local governmental units on real property taxes. Illinois has not taken such action, but in the spring 1997 session of the Illinois General Assembly, a bill was passed by the House of Representatives which would have reduced real property taxes for local school districts. The bill (the "1997 Bill") was supported by the Governor and would have created the Local Option Property Tax Reduction Act. The 1997 Bill would have authorized school districts, by referendum, to impose an income tax on corporations and individual residents in the district at an annual rate not exceeding two percent (2%). The 1997 Bill would have required the income tax revenues disbursed to a district each year to be used to abate the real property taxes levied that year by the district.

Such a school tax abatement would have reduced the tax levy amount that could be extended to property in a redevelopment project area and, consequently, would have reduced the incremental taxes generated in that area. Although the 1997 Bill was passed by the House of Representatives and supported by the Governor, it was defeated in the Illinois Senate.

In the spring 1998 session of the Illinois General Assembly, a bill was introduced in the House of Representatives (the "1998 Bill") which would have reduced real property taxes for local school districts. The 1998 Bill would have replaced a portion of the property taxes levied by school districts on homestead and farmland property ("Eligible Property") with distributions from a newly created Property Tax Relief Fund (the "PTR Fund"). The PTR Fund would have been funded annually by an amount equal to 25 percent (25%) of the projected revenue growth in the State's general funds. Under the 1998 Bill, each school district in the State would have received an annual distribution from the PTR Fund. The amount of such distribution would have been based on the amount of real property tax extended with respect to Eligible Property by such

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

Sources of Funds

Principal Amount of Bonds	\$ 11,560,000
Net Premium on Bonds	311,950
Other Available Funds ⁽¹⁾	<u>7,705,464</u>
Total Sources	<u>\$ 19,577,414</u>

Uses of Funds

Project Costs	\$ 11,567,000
Deposit to Special Project Account	5,000,000
Deposit to Series 2000 Reserve Sub-Account	1,156,000
Deposit to Capitalized Interest Sub-Account	1,238,310
Issuance Costs ⁽²⁾	<u>616,104</u>
Total Uses	<u>\$19,577,414</u>

-
- (1) Exclusive of accrued interest to be deposited into Principal and Interest Account.
- (2) Issuance Costs include the underwriting discount and premium for the Municipal Bond Insurance Policy. See "UNDERWRITING."

FINANCIAL INFORMATION

A summary of unaudited Incremental Tax receipts for the Near West Project Area for the years ended December 31, 1990 through December 31, 1999, is set forth below. The City will provide audited financial statements prepared in accordance with generally accepted accounting principles for the Near West Project Area for the year ending December 31, 2000, and each subsequent fiscal year. See "SECONDARY MARKET DISCLOSURE" herein.

Summary of Incremental Tax Receipts for Near West Project Area⁽¹⁾

<u>Calendar Year</u>	<u>Total Receipts⁽²⁾</u>
1990	\$44,960
1991	289,040
1992	538,574
1993	549,496
1994	613,848
1995	719,560
1996	908,326
1997	933,445
1998	1,964,144
1999	2,361,988

Source: Office of the City Comptroller

- (1) For calendar years 1990 through 1995, the Total Receipts represent amounts received from the Original Project Area only.
- (2) Actual receipts during each calendar year.

TAX INCREMENT FINANCING

The Act authorizes the use of tax increment allocation financing as a means for municipalities, after the approval of a "redevelopment plan and project," to redevelop "blighted," "conservation" or "industrial park conservation" areas by financing redevelopment costs with incremental real estate tax revenues. Incremental real estate tax revenue is derived from the increase in the equalized assessed valuation of real property within the redevelopment area over and above the equalized assessed valuation in effect at the time the redevelopment area is established. Any such increase in equalized assessed valuation above the Certified

yet a blighted area but was in danger of becoming a blighted area and was detrimental to the public safety, health, morals or welfare because of a combination of three or more of the following factors: dilapidation, obsolescence, deterioration, illegal use of individual structures, presence of structures below minimum code standards, abandonment, excessive vacancies, overcrowding of structures and community facilities, lack of ventilation, light or sanitary facilities; inadequate utilities, excessive land coverage, deleterious land use or layout, depreciation of physical maintenance, lack of community planning. Recent amendments to the Act have redefined "blighted area" and "conservation area." See "RECENT LEGISLATION" below.

At the time that the Near West Project Area was created, the Act required a municipality to hold a public hearing and convene an advisory joint review board to consider the proposal. Pursuant to that version of the Act, the joint review board consisted of representatives selected by certain taxing districts having taxing power over the area, and a member of the public. After considering all comments made by the public and the joint review board, if any, the municipality could adopt the necessary ordinances to create a redevelopment project area, but only after adopting an ordinance approving a redevelopment plan. Then an ordinance approving tax increment allocation financing could be adopted.

Recent Legislation

In each of the last five years, the Illinois General Assembly has considered legislation to amend the Act. In 1999, the Illinois General Assembly adopted substantial amendments to the Act (the "Act Amendments") that became effective on November 1, 1999. The Act Amendments include the following provisions:

- adding definitions for each eligibility factor for blighted and conservation areas and for each factor relating to improved and vacant land; certain eligibility factors have been eliminated and others have been added, and additional findings are required to be made for blighted areas;
- prohibiting the inclusion in redevelopment plans of certain types of developments, such as vacant land with a golf course and related facilities and public land designated for recreational activities or nature preserves;
- permitting the estimated date of completion of a redevelopment project to be extended to December 31 of the year in which the payment to the municipal treasurer is to be made with respect to property taxes levied in the twenty-third calendar year after the year in which the ordinance approving the redevelopment project area is adopted;
- requiring the provision of replacement housing and relocation assistance where the redevelopment plan displaces low-income or very low-income persons;
- adding certain items to the definition of "redevelopment project costs" to include, among other things, the increased education cost attributable to assisted housing units for which financing assistance was obtained, up to fifty percent (50%) of the costs of construction of low-income and very low-income housing units, site improvements that serve as environmental barriers and certain costs of day care services for children of employees from low-income families;

Original Project Area and the Added Project Area by: (i) amending the Tax Increment Redevelopment Plan for the Near West Project Area; (ii) designating the amended Near West Project Area as a tax increment financing district; and (iii) adopting tax increment allocation financing for the amended Near West Project Area. The Near West Project Area contains approximately 101.4 acres, and is generally bounded by Lake Street on the north, Van Buren Street on the south, the Kennedy Expressway (I-94) on the east and May Street on the west. The boundaries are geographically depicted on the Boundary Map located in the Consultant's Report.

Neighborhood Description

The Near West Project Area is comprised primarily of three neighborhoods known as Greektown (or Halsted Street Market), Randolph Street Market and Madison-Racine. Greektown and Randolph Street Market generally define the Added Project Area, whereas the Madison-Racine neighborhood generally defines the Original Project Area. See the Boundary Map contained in the Consultant's Report for a graphical depiction of these neighborhoods. The Greektown (Halsted Street) Area is renowned to Chicagoans and tourists for its cluster of authentic Greek restaurants. In addition, the neighborhood contains primarily a mix of other commercial/retail facilities and parking, as well as some residential and office uses. The Randolph Street Market neighborhood contains wholesale food markets that service many of Chicago's restaurants. This area has also attracted new, high profile restaurants located in buildings converted from older loft-type industrial buildings. The Madison-Racine neighborhood, until recently, was predominantly commercial and manufacturing in nature. The character of the neighborhood is shifting toward residential uses as a result of new construction, renovation and conversions from commercial and industrial uses.

Nearby neighborhoods (not part of the Near West Project Area) situated to the east, south and west of the Near West Project Area contain features that could have a positive influence on the future of the Near West Project Area. To the east, across the Kennedy Expressway and the Chicago River in close proximity (approximately eight blocks), is Chicago's central business district (CBD). The Dearborn Park neighborhood, located south of the CBD and once a distressed area, has experienced significant residential growth since the early 1980s. To the west of the Near West Project Area is the United Center (the home of the Chicago Bulls and Chicago Blackhawks) which has sparked redevelopment in that area. To the south (approximately eight blocks), across the Eisenhower Expressway, is the University of Illinois at Chicago campus. Approximately eight blocks to the west of University of Illinois at Chicago Campus is the Rush-Presbyterian-St. Luke's Medical Center - one of Chicago's premier medical facilities. The close proximity of the Near West Project Area to these large sources of jobs could make the Near West Project Area a very attractive neighborhood for residential growth.

REAL PROPERTY TAX SYSTEM

Real Property Assessment, Tax Levy and Collection Procedures

General. Substantially all (approximately 99.98 percent) of the "Equalized Assessed Valuation" (described below) of taxable property in the City, including all of the Near West Project Area, is located in Cook County (the "County"). The remainder is located in DuPage County. Accordingly, unless otherwise indicated, the information set forth under this caption and elsewhere in this Official Statement with respect to taxable property in the City does not reflect the portion situated in DuPage County. The laws of the State

industrial properties in counties with 3,000,000 or more inhabitants (like the County), for valuation appeals that concern a request for a change in assessed value of \$100,000 or more, the classification levels of the Cook County Classification Ordinance must be applied, except for residential property of six units or less. A general reduction in the level of assessments as a result of the use of the methodology applied by the PTAB in its two recent opinions could adversely affect the level of tax increment in a particular redevelopment project area. In the Consultant's opinion, application of the methodology applied in the recent PTAB decisions within the Near West Project Area, would not affect the tax increment projections included in Table 8 of the Consultant's Report by more than five percent (5%).

As an alternative to seeking review of Assessed Valuations by the PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court of Cook County. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct the Assessed Valuation, and thus reduce the amount of taxes due, by issuing a certificate of error.

Equalization. After the Assessed Valuation for each parcel of real estate in a county has been determined for a given year (including any revisions made by the Board of Review), the Illinois Department of Revenue reviews the assessments and determines an equalization factor (the "Equalization Factor"), commonly called the "multiplier" for each county. The purpose of equalization is to bring the aggregate assessed value of all real estate in each county to the statutory requirement of 33-1/3 percent (33 1/3%) of estimated fair cash value. Adjustments in Assessed Valuation made by the PTAB or the courts are not reflected in the Equalization Factor. The Assessed Valuation of each parcel of real estate in the County is multiplied by the County's Equalization Factor to determine the parcel's equalized assessed valuation (the "Equalized Assessed Valuation").

The Equalized Assessed Valuation for each parcel is the final property valuation used for determination of tax liability. The aggregate Equalized Assessed Valuation for all parcels in any taxing body's jurisdiction, after reduction for all applicable exemptions, plus the valuation of property assessed directly by the State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the "Assessment Base"). The Equalization Factor for a given year is used in computing the taxes extended for collection in the following year. The following table sets forth the Equalization Factors for the tax years ended December 31, 1988, through 1998:

<u>Tax Year</u>	<u>Equalization Factor</u>
1988	1.9266
1989	1.9133
1990	1.9946
1991	2.0523
1992	2.0897
1993	2.1407
1994	2.1135
1995	2.1243
1996	2.1517
1997	2.1489
1998	2.1799

statutory rate limit, the County Clerk disregards the excessive rate and applies the maximum rate permitted by law.

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all the Units having jurisdiction over the particular parcel. The County Clerk enters in the books prepared by the County Collector (the "Warrant Books") the tax (determined by multiplying that total tax rate by the Equalized Assessed Valuation of that parcel), along with the tax rates, the Assessed Valuation and the Equalized Assessed Valuation. The Warrant Books are the County Collector's authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

The Cook County Truth in Taxation Law (the "Truth in Taxation Law") contained within the Property Tax Code, imposes procedural limitations on a Unit's real estate taxing powers and requires that notice in prescribed form be published if the aggregate annual levy is estimated to exceed 105 percent (105%) of the levy of the preceding year, exclusive of levies for debt service, election costs and amounts due under public building commission leases. A public hearing must also be held, which may not be in conjunction with the budget hearing of the Unit on the adoption of the annual levy. No amount in excess of 105 percent (105%) of the preceding year's levy may be used as a basis for issuing tax bills to property owners unless the levy is accompanied by certification of compliance with the foregoing procedures. As of January 1, 2000, certain amendments to the above-described procedures imposed by the Truth in Taxation Law became effective with respect to the City and other County taxing districts. As of the date of this Preliminary Official Statement, the City is in compliance with the Truth in Taxation Law.

The City is authorized to issue tax increment bonds for the redevelopment of "blighted" or "conservation" areas. Tax revenues resulting from increases in the Equalized Assessed Valuation of property in a redevelopment area are pledged for the payment of the tax increment bonds. Taxes levied for other purposes are extended at rates which take the tax increment financing into account. See "TAX INCREMENT FINANCING" herein.

Abatement. The Property Tax Code authorizes any taxing unit, upon a majority vote of its governing authority and the determination of the assessed valuation of its property, to abate any portion of its taxes on certain types of property, including commercial and industrial facilities. The term and aggregate amount of the abatement is limited, depending on the property involved. The terms range from 10 to 20 years and the aggregate amounts allowed for abatement range from \$3,000,000 to \$12,000,000. The Property Tax Code also authorizes abatements for certain leasehold interests, leased low-rent housing and areas of urban decay.

Additionally, the Illinois Enterprise Zone Act authorizes the Illinois Department of Commerce and Community Affairs to certify a limited number of enterprise zones. Each unit of local government has the authority to abate property tax on business improvements added to real estate following the creation of an enterprise zone. The abatement applies to any class of property and is limited to the term of the enterprise zone. However, the Illinois Enterprise Zone Act provides that a municipality may not create a redevelopment project area that overlaps with an enterprise zone unless it amends the enterprise zone designating ordinance to limit the eligibility for tax abatements as provided in Section 5.4.1 of the Illinois Enterprise Zone Act.

Collection. Property taxes are collected by the County Collector who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. The

Property Tax Limits

State of Illinois. The Property Tax Code limits (a) the amount of property taxes that can be extended for non-home rule units of local government located in the County and five adjacent counties, and (b) the ability of those entities to issue general obligation bonds without voter approval (the "State Tax Cap"). Generally, the extension of property taxes for a unit of local government subject to the State Tax Cap may increase in any year by five percent (5%) or the percent increase in the Consumer Price Index, whichever is less, or the amount approved by referendum. The State Tax Cap does not apply to the issuance of "limited bonds" payable from a Unit's "debt service extension base" or "double-barreled alternate bonds" issued pursuant to Section 15 of the Local Government Debt Reform Act.

The City continues to be excluded from the State Tax Cap. However, from time to time, various public officials have stated that the State Tax Cap also should be made applicable to the City and other home rule municipalities. In addition, an advisory referendum posing the question "should the Illinois General Assembly limit annual property tax extension increases to a maximum of five percent (5%) or as provided by the Consumer Price Index, whichever is less," was considered by County voters at the November 1994 general election. This advisory question was approved by approximately 83 percent (83%) of County voters who cast ballots on the question.

Under the Illinois Constitution of 1970, the enactment of legislation applying the State Tax Cap to the City and other home rule municipalities requires a three-fifths vote of each house of the Illinois General Assembly and the concurrence of the Governor of the State of Illinois. It is not possible to predict whether, or in what form, any property tax limitations applicable to the City would be enacted by the Illinois General Assembly. The adoption of any such limits on the extension of real property taxes by the Illinois General Assembly may, in future years, adversely affect the City's ability to levy property taxes to finance operations at current levels and the City's power to issue additional general obligation debt without the prior approval of voters.

A recently enacted State law imposes certain notice and public hearing requirements on non-home rule Units of local government that propose to issue debt. Those requirements do not apply to the City.

The City. In 1993, the City Council of the City adopted an ordinance (the "City Tax Limitation Ordinance"), limiting, beginning in 1994, the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy (subject to certain adjustments) plus the lesser of (a) five percent (5%), or (b) the percentage increase in the annualized Consumer Price Index for all urban consumers for all items, as published by the United States Department of Labor, during the 12-month period most recently announced prior to the filing of the preliminary budget estimate report. The City Tax Limitation Ordinance provides a safe harbor for that portion of any property tax debt service levy equal to the aggregate interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to annual increase in the manner described above for the aggregate levy (the "Safe Harbor"). Additional safe harbors are provided for portions of any levy attributable to payments under installment contracts or public building commission leases or attributable to payments due as a result of the refunding of general obligation bonds or notes or of such installment contracts or leases. The City Council amended the City Tax Limitation Ordinance in October 1997 to exclude certain school improvement taxes and in September 1999, to exclude the tax levy for its General Obligation Bonds, Series 1999 (City Colleges of Chicago Project), from the limits set forth therein.

priority of any series of Additional Bonds or Refunding Bonds over the Bonds. Any Junior Lien Obligations will be subordinate to the Bonds and to any Additional Bonds or Refunding Bonds.

General Provisions for Issuance and Delivery of Bonds.

(a) The Indenture or a Supplemental Indenture will describe the following for any Bonds, Additional Bonds or Refunding Bonds:

- the authorized principal amount and designation of the Bonds;
- the purposes for which the Bonds are being issued;
- the manner in which the proceeds are to be applied;
- the date and the maturity date or dates of the Bonds;
- the interest rate or rates or the manner of determining the rate or rates, and the Interest Payment Dates and Record Dates therefor;
- the Authorized Denominations and the manner of dating, numbering and lettering the Bonds;
- the Registrar and the Paying Agent or Paying Agents for the Bonds;
- the Redemption Price or Prices, if any, and any redemption dates and terms for the Bonds;
- the place or places of payment of the Redemption Price of, and interest on, the Bonds;
- the amount and date of each Sinking Fund Installment, if any, for Bonds; provided that the aggregate of such Sinking Fund Installments will equal the aggregate principal amount of all such Bonds less the principal amount scheduled to be retired at maturity;
- provisions as to registration of the Bonds;
- the form and text of the Bonds and provision for the Trustee's authentication thereof by certificate or otherwise;
- the amount of the Debt Service Reserve Requirement with respect to the Bonds, if any, calculated immediately after such authentication and delivery; and
- any other provisions deemed advisable by the City as shall not conflict with the provisions of the Indenture.

- (i) setting forth the amount of the Pledged Revenues in the most recently ended Bond Year next preceding the date of issuance of such Bonds;
- (ii) setting forth for the current Bond Year and each Bond Year thereafter, the Annual Debt Service Requirement on account of all Bonds then Outstanding and the Bonds proposed to be issued;
- (iii) establishing that the amount shown in subparagraph (i) above is not less than one hundred seventy-five percent (175%) of the Maximum Annual Debt Service Requirement on account of all Bonds then Outstanding and the Bonds proposed to be issued; and
- (iv) stating that all required deposits to all funds, accounts and sub-accounts under the Indenture are current.

In applying the foregoing test, if any of the Bonds Outstanding immediately prior to or after the issuance of the bonds to be issued constitute Tender Option Bonds or Variable Rate Bonds, the provisions set forth in the Indenture will be applied in determining the Annual Debt Service Requirements of such Bonds.

Refunding Bonds. (a) One or more series of Refunding Bonds may be authenticated and delivered upon original issuance to refund or advance refund any or all Outstanding Bonds of one or more series, to refund or advance refund any Junior Lien Obligation, to pay costs and expenses incident to the issuance of such Refunding Bonds and to make deposits in any fund, account or sub-account under the Indenture as determined by the City in the Supplemental Indenture authorizing the Refunding Bonds.

(b) Refunding Bonds of a series to refund or advance refund Outstanding Bonds will be authenticated and delivered by the Trustee only upon receipt by it (in addition to the documents, securities and moneys required by paragraphs (a), (b), (c) and (d) under the subcaption "--Conditions Precedent to Delivery of Any Series" above) of:

- (i) Such instructions to the Trustee as necessary to comply with all requirements set forth in the Indenture so that the Bonds to be refunded or advance refunded will be paid or deemed to be paid pursuant to the Indenture.
- (ii) Either (A) moneys in an amount sufficient to effect payment of the principal and Redemption Price, if applicable, and interest due and to become due on the Bonds to be refunded or advance refunded on and prior to the redemption date or maturity date thereof, as the case may be, which moneys will be held by the Trustee or any of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds to be refunded or advance refunded, or (B) Government Obligations in such principal amounts, of such maturities, and bearing interest at such rates as are necessary, together with the moneys, if any, deposited with the Trustee at the same time, to comply with the provisions of the Indenture.
- (iii) A certificate of an Authorized Officer evidencing either that (A)(1) the term of the Refunding Bonds does not exceed the term of the Bonds being refunded, and (2) the

in trust the moneys or securities, together with investment income thereon, required to effect such redemption or payment.

(iii) A Counsel's Opinion to the effect that all actions required under the indenture, ordinance or other appropriate instrument securing and authorizing such Junior Lien Obligations to provide for the redemption or payment of such Junior Lien Obligations have been taken.

(iv) The proceeds, including accrued interest, of the Refunding Bonds of each series will be applied upon their delivery as follows: (A) there will be deposited in any fund, account or sub-account under the Indenture the amount, if any, required by the Supplemental Indenture authorizing the series, including, but not limited to, an amount to be applied to the payment of costs and expenses incident to the issuance of such Refunding Bonds, (B) the amount of such proceeds needed to refund the Junior Lien Obligations to be refunded and pay the expenses incidental to the refunding, and (C) any balance will be deposited in the Incremental Taxes Fund for application pursuant to the Indenture.

Junior Lien Obligations. (a) The City may authorize and issue Junior Lien Obligations from time to time pursuant to Supplemental Indentures for any of the purposes for which Bonds may be issued under the Indenture. The Junior Lien Obligations will be payable out of the Pledged Revenues and may be secured by a pledge and assignment of amounts in the Accounts and Sub-Accounts established pursuant to the Indenture and the respective Supplemental Indenture as may from time to time be available; provided, however, that any pledge and assignment must be subordinate to the pledge of the Trust Estate under the Indenture as security for the Bonds to the extent provided in the Indenture.

(b) Prior to the issuance of any Junior Lien Obligations, the Trustee must receive a certificate of an Authorized Officer:

(i) setting forth the amount of the Pledged Revenues projected to be available to pay debt service on Outstanding Bonds and the Junior Lien Obligations during the period the Junior Lien Obligations will be outstanding;

(ii) setting forth for the current Bond Year and each Bond Year thereafter, the Annual Debt Service Requirement on account of all Bonds and the debt service requirements on account of all Junior Lien Obligations then Outstanding and the Junior Lien Obligations proposed to be issued under the Indenture;

(iii) establishing that the amount shown in subparagraph (i) above will not be less than 100 percent (100%) of the Maximum Annual Debt Service Requirement on account of all Bonds and Junior Lien Obligations then Outstanding and the Junior Lien Obligations proposed to be issued; and

(iv) stating that all required deposits to all funds, accounts and sub-accounts under the Indenture are current.

(c) The Junior Lien Obligations must have such terms and provisions as set forth in the Supplemental Indenture providing for the issuance thereof; provided, however, that no holder of a Junior

Indenture and any Supplemental Indenture, except to the extent enforceability may be limited by bankruptcy, insolvency and other laws affecting conditions, rights or remedies and the availability of equitable remedies generally. The City has agreed that upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and laws of the State of Illinois and the Indenture to exist, to have happened and to have been performed precedent to or in the issuance of such Bonds will exist, have happened and have been performed. The City will at all times, to the extent permitted by law, defend, preserve and protect the pledge of and lien on the Pledged Revenues and other moneys, securities and funds pledged under the Indenture and all the rights of the Owners under the Indenture against all claims and demands.

Indebtedness and Liens. The City is not permitted to issue any bonds or other evidences of indebtedness, other than the Bonds, Additional Bonds, Refunding Bonds and Junior Lien Obligations, which are secured by a pledge of or lien on the Pledged Revenues or the moneys, securities or funds held or set aside by the City or by the Trustee under the Indenture, and may not, except as expressly authorized in the Indenture, create or cause to be created any lien or charge on the Pledged Revenues or such moneys, securities or funds; provided, however, that (a) the City may issue evidences of indebtedness payable from, or secured by the pledge of, Pledged Revenues to be derived on and after the date that the pledge of Pledged Revenues is discharged and satisfied as provided in the Indenture, or (b) the City may agree to make payments from the General Account to pay, or to reimburse the payment of, Project Costs as long as the City's agreement to make such payments is fully contingent on the availability in the General Account of funds for such purpose.

Covenants of the City. The City has also covenanted and agreed with the Owners of the Bonds that, so long as any Bonds remain Outstanding and unpaid:

(a) The City will cause to be punctually paid from the Incremental Taxes Fund, but solely to the extent that adequate amounts are on deposit in that Fund for that purpose, the principal of, interest on and premium, if any, to become due in respect of the Bonds in strict conformity with the terms of the Bonds, the Indenture and the applicable Supplemental Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Bonds, the Indenture and each Supplemental Indenture.

(b) The City will cause to be punctually paid and discharged, from the Incremental Taxes Fund, but solely to the extent that adequate amounts are on deposit in that Fund for that purpose, any and all lawful claims which, if unpaid, might become a lien or charge upon the Pledged Revenues, or any part of the Pledged Revenues, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. The City is not, however, required to make any such payment so long as it is, in good faith, contesting the validity of the claims.

(c) The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries will be made of all transactions relating to the Bonds and to the Pledged Revenues. These books of record and accounts, and any other report, will at all times during regular business hours be subject to the inspection of the Owners of not less than ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

(e) a court of competent jurisdiction enters an order, judgment or decree appointing a receiver of the City, or of the whole or any substantial part of its property, or approves a petition seeking reorganization of the City under the federal bankruptcy laws or any other applicable federal or state law or statute and such order, judgment or decree is not vacated or set aside or stayed within sixty (60) days from the date the order, judgment or decree is entered; or

(f) under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the City or of the whole or any substantial part of its property, and such custody or control is not terminated or stayed within sixty (60) days from the date of assuming custody or control; or

(g) the City defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture on the part of the City to be performed, and the default continues for sixty (60) days after written notice specifying such default and requiring such default to be remedied given to the City by the Trustee (which may give such notice whenever it determines that such a default is subsisting and must give such notice at the written request of Owners of a majority of the principal amount of the Bonds then Outstanding); provided, however, that if the nature of the default is such that it cannot be cured with the 60-day period following receipt of notice specifying such default, but can be cured within a longer period, no event of default will occur if the City institutes corrective action within such 60-day period and diligently pursues such action until the default is corrected; then in each and every such case the Trustee may, and upon the written request of the Owners of a majority of the principal amount of the Bonds affected by the Event of Default and then Outstanding under the Indenture must proceed to protect and enforce its rights and the rights of the Owners of the Bonds by a suit, action or special proceeding in equity or at law, by mandamus or otherwise, either for the specific performance of any covenant or agreement contained in the Indenture or in aid of execution of any power granted by the Indenture or for any enforcement of any proper legal or equitable remedy as the Trustee, being advised by counsel, deems most effective to protect and enforce those rights.

During the continuance of an Event of Default, all moneys received by the Trustee under the Indenture from the City or from any other source will be applied by the Trustee in accordance with the terms of the Indenture.

Proceedings Brought by Trustee

(a) If an Event of Default occurs and is not remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and, subject to satisfactory indemnification, upon written request of the Owners of not less than a majority in principal amount of the Bonds Outstanding, shall proceed to protect and enforce its rights and the rights of the Owners of the Bonds under the Indenture by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, deems most effective to enforce any of its rights or to perform any of its duties under the Indenture.

(b) All rights of action under the Indenture may be enforced by the Trustee without possessing or producing any of the Bonds in any suit or other proceeding, and any such suit or other proceeding instituted by the Trustee will be brought in its name.

- (h) to cure any ambiguity, omission or defect in the Indenture;
- (i) to provide for the appointment of a successor securities depository in the event any series of Bonds is held in book-entry only form;
- (j) to provide for the appointment of any successor Fiduciary; and
- (k) to make any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners.

In addition to supplemental indentures for the purposes described above, upon the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, the City and the Trustee may execute and deliver any other supplemental indenture or indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that no such modification or amendment may permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds, or of any installment of interest thereon or a reduction in the principal amount thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

Discharge of the Indenture

If the City pays or causes to be paid or there shall otherwise be paid to the Owners of all Bonds, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in the Indenture, then the pledge of any Pledged Revenues and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the City to the Owners will be discharged and satisfied. In such event, the Trustee, upon request of the City, will provide an accounting of the assets managed by the Trustee to be prepared and filed with the City for any year or part thereof requested, and will execute and deliver to the City, all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries will pay over or deliver to the City all moneys and securities held by them pursuant to the Indenture which are not required for the payment of Bonds not previously surrendered for such payment or redemption. If the City pays or causes to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds of a particular series, maturity within a series or portion of any maturity within a series (which portion will be selected by lot by the Trustee in the manner provided in the Indenture for the selection of Bonds to be redeemed in part), the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds will cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the City to the Owners of such Bonds and to the Trustee will be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys are set aside and held in trust by the Trustee at or prior to their maturity or redemption date will be deemed to have been paid within the meaning of, and with the effect expressed in, the Indenture if the City delivers or deposits with the Trustee (i) irrevocable instructions to pay or redeem all of the Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal,

All moneys held by or deposited with a Fiduciary in trust to pay and discharge any of the Bonds, and which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, will at the written request of the City, be paid by the Fiduciary to the City, as its absolute property and free from trust, and the Fiduciary will thereupon be released and discharged with respect thereto and the Owners of such Bonds may look only to the City for the payment of such Bonds.

Bond Insurer

Payments Under a Municipal Bond Insurance Policy. As long as any Municipal Bond Insurance Policy is in full force and effect, the City, the Trustee and any Paying Agent will comply with the following provisions:

(a) At least one (1) day prior to all Interest Payment Dates, the Trustee or Paying Agent, if any, will determine whether there will be sufficient funds in the funds and accounts maintained under the Indenture to pay the principal of or interest on the Bonds on such Interest Payment Date. If the Trustee or Paying Agent, if any, determines that there will be insufficient funds, the Trustee or Paying Agent, if any, must notify the Bond Insurer. Such notice must specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Trustee or Paying Agent, if any, has not so notified the Bond Insurer at least one (1) day prior to the Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the Bonds on or before the first (1st) day next following the date on which the Bond Insurer receives notice of nonpayment from the Trustee or Paying Agent, if any.

(b) The Trustee or Paying Agent, if any, will, after giving notice to the Bond Insurer as provided in (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to the United States Trust Company of New York, as insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the City maintained by the Trustee or Paying Agent, if any, and all records relating to the funds and accounts maintained under the Indenture.

(c) The Trustee or Paying Agent, if any, must provide the Bond Insurer and the Insurance Trustee with a list of Owners of the Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Municipal Bond Insurance Policy, and must make arrangements with the Insurance Trustee to: (i) mail checks or drafts to the Owners of the Bonds entitled to receive full or partial interest payments from the Bond Insurer; and (ii) pay principal upon Bonds surrendered to the Insurance Trustee by the Owners of the Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Trustee or Paying Agent, if any, will, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify Owners of the Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer: (i) as to the fact of such entitlement; (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee

of the Bonds will continue to exist and will run to the benefit of the Bond Insurer, and the Bond Insurer will be subrogated to the rights of such Owners.

Rights of Bond Insurer Upon Default or Insolvency. Upon the occurrence and continuance of an Event of Default, the Bond Insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Bonds or the Trustee for the benefit of the Owners of the Bonds under the Indenture.

In the event of any reorganization or liquidation, the Bond Insurer will have the right to vote on behalf of all Owners who hold Bonds secured by the Municipal Bond Insurance Policy absent a default by the Bond Insurer under the Municipal Bond Insurance Policy insuring.

CONSULTANT'S REPORT

The City has received the Consultant's Report attached to this Official Statement as APPENDIX B. The Consultant's Report documents the Consultant's estimates of the Incremental Taxes to be available to pay principal of and interest on the Bonds, as well as a number of limiting conditions on those estimates. The City has not independently verified the projections of Incremental Taxes in the Consultant's Report.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, pursuant to a contract of purchase, to purchase the Bonds at a price equal to \$11,693,034 (representing an underwriting discount of \$178,916 and net original issue premium of \$311,950) plus accrued interest to the date of delivery. The purchase contract requires the Underwriter to purchase all of the Bonds if any are purchased.

LEGAL MATTERS

The Bonds will be offered for sale subject to the approval of legality by Katten Muchin Zavis and Charity & Associates P.C., Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the City by its Corporation Counsel; and for the Underwriter, by Shefsky & Froelich Ltd. and Burke Burns & Pinelli, Ltd., Chicago, Illinois.

LITIGATION

There is no litigation pending in any court or, to the knowledge of the City, threatened, questioning the corporate existence of the City or which would restrain or enjoin the issuance or delivery of the Bonds, or which concerns the proceedings of the City taken in connection with the Bonds.

to the date of issue. In such event, there is no requirement that the payment of principal of, or interest on, the Bonds be accelerated or that any additional interest or penalties to the owners of the Bonds be paid.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Bonds which may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE BONDS.

A. *In General.* Owners of the Bonds will generally be denied a deduction for otherwise deductible interest on any debt which is treated for federal income tax purposes as incurred or continued to purchase or carry the Bonds. As discussed below, special allocation rules apply to financial institutions.

B. *Corporate Owners.* Interest on the Bonds is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Bonds is taken into account not only in computing the corporate alternative minimum tax but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

C. *Individual Owners.* Receipt of interest on the Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

D. *Certain Blue Cross or Blue Shield Organizations.* Receipt of interest on the Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

E. *Property or Casualty Insurance Companies.* Receipt of interest on the Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

F. *Financial Institutions.* Financial institutions may be denied a deduction for their otherwise allowable interest in an amount determined by reference, in part, to their adjusted basis in the Bonds.

G. *Foreign Personal Holding Company Income.* Pursuant to regulations issued under Subpart F of the Code on January 2, 1997, a United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Bonds held by such a company is allocated to the shareholder during taxable years beginning after March 3, 1997.

The opinions of Co-Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Bonds are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated

SECONDARY MARKET DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Commission under the Exchange Act.

The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below.

A failure by the City to comply with the Undertaking will not constitute a default under the Bonds, the Ordinance or the Indenture and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See "Consequences of Failure of the City to Provide Information" under this caption. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The following is a brief summary of certain provisions of the Undertaking of the City and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the City.

Annual Financial Information Disclosure

The City has agreed to disseminate its Audited Financial Statements (as described below) to each Nationally Recognized Municipal Securities Information Repository (a "NRMSIR") then recognized by the Commission for purposes of the Rule and to any public or private repository designated by the State as the state depository (the "SID") and recognized as such by the Commission for purposes of the Rule. The City is required to deliver such information so that such entities receive the information by the date specified in the Undertaking (within 270 days after the end of the City's fiscal year - currently December 31). "Audited Financial Statements" means the audited financial statements with respect to the Bonds, the Near West Project Area, the Incremental Taxes and the other Pledged Revenues prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time.

Events Notification; Material Events Disclosure

The City has agreed that it will disseminate to each NRMSIR or to the Municipal Securities Rulemaking Board (the "MSRB") and to the SID, if any, in a timely manner the disclosure of the occurrence of an Event (as described below) that is material, as materiality is interpreted under the 1934 Act. The "Events," certain of which may not be applicable to the Bonds, are:

1. principal and interest payment delinquencies;
2. non-payment related defaults;

(iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the City (such as the Trustee or co-bond counsel); or

(b) the amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

The Undertaking will be terminated if the City no longer has any legal liability for any obligation on or relating to repayment of the Bonds under the Indenture. If this provision is applicable, the City will notify in a timely manner each NRMSIR or to the MSRB and to the SID, if any.

Additional Information

Nothing in the Undertaking will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Audited Financial Statements or notice of occurrence of a material Event, in addition to that which is required by the Undertaking. If the City chooses to include any information in any Audited Financial Statements or notice of occurrence of a material Event in addition to that which is specifically required by the Undertaking, the City will have no obligation under the Undertaking to update such information or include it in any future Annual Financial Statements or notice of occurrence of a material Event.

MISCELLANEOUS

The summaries or descriptions in this Official Statement of provisions in the Ordinance, the Indenture, the Near West Redevelopment Plan, the City's planning documents and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions and do not constitute complete statements of such documents or provisions. Reference is made to the complete documents relating to such matters for further information.

Any statement made in this Official Statement indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith. There is no assurance that the facts will materialize as so opined or estimated.

The City has authorized the distribution of this Official Statement.

This Official Statement has been duly executed and delivered by the Chief Financial Officer of the City on behalf of the City.

CITY OF CHICAGO

By: /s/ Walter K. Knorr
Chief Financial Officer

APPENDIX A

Certain Definitions

APPENDIX A

Certain Definitions

"Act" means the Tax Increment Allocation Redevelopment Act of the State of Illinois, 65 ILCS 5/11-74.4- 1, *et seq.*, as amended and supplemented from time to time.

"Added Project Area" means that area (commonly known as the Greektown District and Randolph Street Market) containing approximately 55.3 acres that was added to the Original Project Area pursuant to an ordinance adopted by the City Council on June 10, 1996, thereby amending and expanding the Original Project Area and creating the Near West Project Area. The Added Project Area is roughly bounded by Lake Street on the north, Van Buren Street on the south, the Kennedy Expressway (I-94) on the east, and Green and Peoria Streets on the west.

"Additional Bonds" means any bonds issued in the future pursuant to the Indenture on a parity with, and sharing ratably and equally in, the Pledged Reserves with the Bonds and all other Additional Bonds theretofore issued.

"Annual Debt Service Requirement" means, with respect to any Bond Year, the aggregate of the Principal and Interest Requirements for such Bond Year.

"Assessor" means the County Assessor of Cook County.

"Authorized Denominations" means: (i) as to the Bonds, \$5,000 and any integral multiple thereof; and (ii) as to any other series of Bonds, such denominations as may be specified in the Supplemental Indenture authorizing such series of Bonds.

"Authorized Officer" means the Mayor, the Chief Financial Officer or any other officer or employee of the City authorized to perform specific acts or duties under the Indenture by ordinance or resolution duly adopted by the City Council.

"Bond" or "Bonds" means the City of Chicago Tax Increment Allocation Revenue Bonds (Near West Redevelopment Project), Series 2000, authorized to be issued pursuant to the Indenture.

"Bond Counsel" means any nationally recognized firm of municipal bond attorneys designated by the City.

"Bond Insurer" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, and its successors and assigns.

"Bond Year" means the initial period beginning on the date of original issuance and delivery of the Bonds and ending on January 1, 2001, and thereafter each 12-month period commencing on January 2 of each calendar year and ending on January 1 in the next succeeding calendar year.

Annual Debt Service; and (ii) with respect to any other series of bonds issued under the Indenture, the amount, if any, as shall be required to be maintained in the applicable Sub-Account of the Reserve Account established by the terms of the Supplemental Indenture authorizing such series of bonds.

"Defeasance Obligations" means (i) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (ii) of this definition), or (ii) direct obligations of (including obligations issued by book-entry form on the books of) the Department of the Treasury of the United States of America.

"Depository" means any bank, national banking association or trust company having capital stock, surplus and retained earnings aggregating at least \$1,000,000, selected by an Authorized Officer as a Depository of moneys and securities held under the provisions of the Indenture, and may include the Trustee.

"DTC" means The Depository Trust Company, New York, New York, as securities depository for the Bonds.

"DTC Participant" means any securities broker or dealer, bank, trust company, clearing corporation or other organization depositing Bonds with DTC pursuant to the book-entry only system.

"Equalized Assessed Value" means the Cook County assessed valuation of real property equalized by the Equalization Factor for Cook County.

"Event of Default" means any event so designated and specified in the Indenture.

"Fiduciary" or "Fiduciaries" means the Trustee, the Registrar, the Paying Agents and any Depository, or any or all of them, as may be appropriate.

"First Supplemental Indenture" means the First Supplemental Indenture dated as of July 1, 2000 and any amendments and supplements hereto.

"Fiscal Year" means the period January 1 through December 31 of the same year.

"Government Obligations" means (i) any direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America; and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition, (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian; (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any Person claiming through the custodian, or any person to whom the custodian may be obligated.

"Incremental Taxes" means the ad valorem taxes, if any, arising from the tax levies upon taxable real property in the Near West Project Area by any and all taxing districts or municipal corporations having the power to tax real property in the Near West Project Area, which taxes are attributable to the increase in the then-current equalized assessed valuation of each taxable lot, block, tract or parcel of real

Fiduciary), comprised of any of the investments set forth in subparagraph (i) or subparagraph (ii) above;

(iv) negotiable or non-negotiable certificates of deposit or time deposits or other banking arrangements issued by any bank, trust company or national banking association (including any Fiduciary), which certificates of deposit or time deposits or other banking arrangements shall be continuously secured or collateralized by obligations described in subparagraphs (i), (ii) or (iii) of this definition, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit or time deposits or other banking arrangements and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit or time deposits or other banking arrangements, which certificates of deposit or time deposits or other banking arrangements acquired or entered into pursuant to this subparagraph (iv) shall be deemed for purposes of the Indenture to constitute investments and not deposits;

(v) repurchase agreements with any bank, trust company or national banking association (including any Fiduciary) or government bond dealer reporting to the Federal Reserve Bank of New York continuously secured or collateralized by obligations described in subparagraph (i) of this definition which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amortized value of such repurchase agreements, provided such security or collateral is lodged with and held by the Trustee or the City as title holder, as the case may be;

(vi) public housing bonds issued by public housing authorities or by other political subdivisions or bodies politic and corporate so authorized, fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; and project notes issued by public housing authorities or by other political subdivisions or bodies politic and corporate so authorized, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(vii) investment agreements which represent the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution, in either case that has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the two highest rating categories by the Rating Agency; and

(viii) any other securities authorized for investment of City funds by Article VI of Chapter 2-32 of the Municipal Code of Chicago (1990), as from time to time amended.

"Junior Lien Obligations" means any bonds or other obligations permitted to be issued pursuant to the Indenture which are subordinate to the pledge of the Pledged Revenues for the Bonds.

"Master Indenture" means the Trust Indenture dated as of July 1, 2000 from the City to the Trustee.

"Maximum Annual Debt Service Requirement" means, as of any date of calculation, the largest Annual Debt Service Requirement occurring in the then current and all succeeding Bond Years.

"Person" means and includes an association, unincorporated organization, a corporation, a partnership, a limited liability corporation, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity, or a natural person.

"Pledged Revenues" means: (i) Incremental Taxes; and (ii) any other revenues from any source whatsoever whether held by the City or the Trustee pursuant to the Indenture, and designated to pay principal of, premium, if any, or interest on the Bonds, which Pledged Revenues include, without limitation, amounts on deposit in and pledged to various funds and accounts (other than the Special Project Account, the Program Expenses Account, the Rebate Account and any reserve fund or account for any series of bonds established pursuant to a Supplemental Indenture unless otherwise provided in said Supplemental Indenture) as provided in the Indenture, together with interest earnings thereon.

"Principal" or "principal" means the principal amount of such Bond payable in satisfaction of a Sinking Fund Installment, if applicable, or at maturity.

"Principal and Interest Requirements" means, for any Bond Year, the amount equal to the sum of (i) all principal (including mandatory sinking fund redemption payments) on Current Interest Bonds in such Bond Year, (ii) the Compound Accrued Value due with respect to any Capital Appreciation Bonds in such Bond Year, (iii) the Interest Requirement and (iv) all principal and interest and all Compound Accrued Value due with respect to any Additional Bonds in such Bond Year.

"Principal Payment Date" means the date upon which the principal of any Bond is stated to mature, or upon which the principal of any Term Bond is subject to redemption in satisfaction of a Sinking Fund Installment, as established in the Supplemental Indenture authorizing such Bond.

"Program Expenses" means, in any Bond Year, all initial and ongoing administrative expenses related to or incurred in connection with the Bonds, including, specifically, (i) the sum necessary to pay all rating agency surveillance fees and costs and expenses of any Trustee, registrar or paying agent, (ii) the expected annual fees or premiums of any issuer or provider of any Credit Facility or Debt Reserve Credit Instrument with respect to the Bonds, which expected annual fees may include additional amounts owing to such issuer or provider pursuant to any reimbursement or other agreement, other than reimbursement obligations arising from any draw or payment under such Credit Facility and other than payments on the Bonds, (iii) fees related to the calculation or verification of any required payment to the United States of America pursuant to Section 148(f) of the Code, and (iv) auditing fees incurred in connection with the preparation of the financial statements required pursuant to the Indenture; but excluding, specifically, expenses of the City relating specifically to the administration of the Project.

"Project" means the redevelopment project approved by the Near West Redevelopment Plan.

"Project Costs" means those costs of the Project included in the definition of "Redevelopment Project Costs" in the Act as in effect on the effective date of the Indenture, and shall include any costs added to the definition of "Redevelopment Project Costs" in the Act from time to time after the effective date of the Indenture; in no event, however, shall the removal of a cost from the definition of "Redevelopment Project Costs" in the Act after the effective date of the Indenture cause such cost not to be a "Project Cost" within the meaning of the Indenture.

APPENDIX B

Consultant's Report

ESTIMATE OF INCREMENTAL TAXES

CITY OF CHICAGO
TAX INCREMENT ALLOCATION BONDS
(NEAR WEST REDEVELOPMENT PROJECT)
SERIES 2000

Secured by
Incremental Taxes Resulting from the

**NEAR WEST
REDEVELOPMENT PROJECT AREA**

Prepared for:

City of Chicago
Department of Finance

June 14, 2000

1. *Executive Summary*

On March 23, 1989, the City Council of the City of Chicago (the "City Council") adopted ordinances 1) approving the Madison-Racine Tax Increment Financing Redevelopment Plan and Project, 2) designating the Madison-Racine Redevelopment Project Area as a redevelopment project area under the Act, and 3) adopting tax increment allocation financing for the Madison-Racine Redevelopment Project Area. On June 10, 1996, the City Council adopted ordinances creating the Near West Redevelopment Project Area which is comprised of the Original Project Area plus the Added Project Area by 1) amending the Tax Increment Redevelopment Plan for the Near West Redevelopment Project Area (the "Near West RPA"), 2) designating the amended Near West RPA as a tax increment financing district and 3) adopting tax increment allocation financing for the amended Near West RPA. The Near West RPA will terminate on March 23, 2012.

The City has not issued any obligations payable from Incremental Taxes with respect to the Near West RPA. Past public expenditures for Greektown ornamentations and H2O, Inc. site acquisition were funded directly out of available Incremental Taxes. The City has not committed incremental taxes to any other project in the Near West RPA. The City engaged *S. B. Friedman & Company* ("*SBFCo*") to prepare an estimate of Incremental Taxes that may be generated by increases in equalized assessed valuations ("EAV") and Incremental Taxes resulting from the assessment and reassessment of land and existing improvements within the Near West RPA.

SBFCo's estimate of Incremental Taxes relies primarily upon the Assessor's 1998 EAV for all taxable properties located within the Near West RPA. Tax year 1998 is the most recent where AV, the State Equalization Factor and the General City rate are available. Estimates of 1999 EAV were made to include potential Incremental Taxes generated by properties that have been redeveloped since 1998. Since the Near West RPA will terminate on March 23, 2012, the estimated Incremental Taxes in this Report cover the tax years 1999 to 2010, which are assumed to be collected and available for debt service on December 1 from 2000 to 2011. This Report concludes that the estimated Incremental Taxes for that 12-year period total \$ 41.6 million. This does not include incremental revenue generated by the approximate 1% Special Service Area #16 tax rate.

SBFCo has relied on various assumptions outlined in Sections 4 and 5 of this Report and these assumptions are based on information from various sources that are thought to be reliable. The receipt of Incremental Taxes is dependent upon the continuing validity of the assumptions contained in this Report. *SBFCo* has not conducted any market feasibility study to determine the real estate market values and conditions which exist in the Near West RPA.

“General City Rate” means the combined real estate tax rate of the following taxing agencies for a given year: the County, Cook County Forest Preserve District, Cook County Health Facilities, Metropolitan Water Reclamation District, the City, the City Library Fund, Chicago Board of Education, Chicago School Finance Authority, Community College District #508 and the Chicago Park District.

“Incremental Tax” or **“Incremental Taxes”** means the aggregate amount of ad valorem real property taxes for each Tax Code attributable to the increase in EAV above the Certified Initial EAV for each Tax Code within the Near West RPA and which are deposited in the Fund.

“Local Ordinances” means, collectively, the Chicago Property Tax Limitation Ordinance and the Cook County Property Tax Relief Ordinance.

“Near West Redevelopment Plan” or **“Redevelopment Plan”** means the Near West Tax Increment Financing Redevelopment Project and Plan adopted by the City on June 10, 1996, which incorporated the Original Area Redevelopment Plan.

“Near West Redevelopment Project Area” or **“Near West RPA”** means the aggregate of the Original Project Area and the Added Project Area which collectively are comprised of approximately 101.4 acres of land generally located between the Kennedy Expressway (I-94) on the east, May Street on the west, Lake Street on the north, and Van Buren Street on the south. (See the Boundary Map in Section 3.)

“Original Project Area” means the area containing approximately 46.1 acres and roughly bounded by Randolph and Washington Streets on the north, Monroe Street on the south, Peoria Street on the east, and May Street on the west.

“Original Area Redevelopment Plan” means the Madison-Racine Tax Increment Financing Redevelopment Plan and Project as adopted by the City on March 23, 1989. (See the Boundary Map in Section 3.)

“Redevelopment Project Costs” means costs estimated to be incurred in connection with the Near West RPA and which are eligible to be paid from Incremental Taxes or proceeds of obligations supported by Incremental Taxes in accordance with the Act.

“Report” means this Report entitled *Estimate of Incremental Taxes* prepared by *S. B. Friedman & Company (SBFCo)*.

“State” means the State of Illinois.

“State Equalization Factor” means a multiplication factor issued by the Illinois Department of Revenue to the County which is applied to AV and is designed to make all real estate valuations state-wide equal to 33-1/3 percent of FMV.

3. Overview of the Near West Redevelopment Plan

Introduction

On March 23, 1989, the City Council of the City of Chicago adopted ordinances 1) approving the Original Area Redevelopment Plan, 2) designating the Original Project Area as a redevelopment project area under the Act, and 3) adopting tax increment allocation financing for the Original Project Area. It had been determined by the City that the Original Project Area on the whole had not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of the Original Area Redevelopment Plan.

During the process of implementing the Original Area Redevelopment Plan, it became evident to the City that changes in the boundaries of the Original Project Area and the Original Area Redevelopment Plan were necessary in order to achieve the purposes and objectives of the Original Area Redevelopment Plan. Consequently, the City expanded the boundaries of the Original Project Area by incorporating the Added Project Area and amending the Original Area Redevelopment Plan.

The Original Project Area together with the Added Project Area was renamed and thereafter referred to as the Near West Redevelopment Project Area. The City ordinances creating the Near West RPA were adopted on June 10, 1996. The Near West RPA contains approximately 101.4 acres, and is generally bounded by Lake Street on the north, Van Buren Street on the south, the Kennedy Expressway (I-94) on the east, and May Street on the west. The boundaries are geographically depicted on the Boundary Map located on the next page.

Neighborhood Description

The Near West RPA is comprised primarily of three neighborhoods known as Greektown (or Halsted Street Market), Randolph Street Market, and Madison-Racine. Greektown and Randolph Street Market generally defines the Added Project Area whereas the Madison-Racine neighborhood generally defines the Original Project Area. See the Boundary Map for a graphical depiction of these neighborhoods.

The Greektown (Halsted Street) Area is renowned to Chicagoans and tourists for its cluster of authentic Greek restaurants. In addition, the neighborhood primarily contains a mix of other commercial/retail facilities and parking as well as some residential and office uses.

The Randolph Street Market neighborhood contains wholesale food markets that service many of Chicago's restaurants. This area also has attracted new, high profile restaurants located in buildings converted from older loft-type industrial buildings.

The Madison-Racine neighborhood until recently was predominantly commercial and manufacturing in nature. The character of the neighborhood is shifting toward residential uses as a result of new construction, renovation and conversions from commercial and industrial uses.

Nearby neighborhoods (not part of the Near West RPA) to the east, south and west contain features that should have a positive influence on the future of the Near West RPA. To the east, across the Kennedy Expressway and the Chicago River, is Chicago's central business district ("CBD"). This close proximity (about eight blocks) should encourage more residential development in the Near West RPA. As an example, the Dearborn Park neighborhood located south of the CBD was once a distressed area, but has experienced significant residential growth since the early 1980s. To the west of the Near West RPA is the United Center (home of the Bulls and Blackhawks) which has sparked redevelopment in that area. To the south about eight blocks, across the Eisenhower expressway, is the University of Illinois at Chicago campus. And about eight blocks to the west of that is the Rush-Presbyterian-St. Luke's Medical Center – one of Chicago's premier medical facilities. The close proximity of the Near West RPA to these large sources of jobs should make the Near West RPA a very attractive neighborhood for residential growth. The neighborhood context of the Near West RPA is geographically depicted on the map located on the next page.

Redevelopment Program

In 1992 the City authorized \$1.1 million of Incremental Taxes to acquire a site for H2O, Inc. which invested an additional \$4.4 million for improvements to the property. In 1996 the City authorized \$1.4 million of Incremental Taxes to be expended for public works projects in Greektown. These authorizations were funded directly from available Incremental Taxes. The City has not issued any obligations payable from Incremental Taxes with respect to the Near West RPA, nor has the City made any commitments to use Incremental Taxes other than for servicing the Bonds.

Detailed information on the Redevelopment Project Costs to be paid from Bond proceeds can be found in the Official Statement of the Bonds. It is expected that the City will use the proceeds from the Bonds to fund acquisition and/or redevelopment (approximately \$9.0 million), the construction of infrastructure improvements (approximately \$2.6 million), and creating and/or improving open spaces (approximately \$250,000).

Private Development Program

The following tables provide brief descriptions of new projects that have created or are creating new value in the Near West RPA since the Assessor's last triennial reassessment in 1997. These projects are divided into five categories. The first category, "New Projects Completed and Fully Assessed in 1998," represents completed developments (100 percent sold or rented) that were fully assessed in 1998. The second category, "New Projects Completed in 1998 and Fully Assessed in 1999," represents completed developments (100 percent sold or rented) that are expected to be fully assessed in 1999. The third category, "New Projects Completed in 1999 and to be Fully Assessed in 2000" represents completed developments (100 percent sold or rented) that are expected to be fully assessed in 2000. The fourth category, "New Projects Expected to be Completed in 2000," represents developments where construction is essentially complete but not all of the project has been sold. The fifth category, "Projects Under Construction," represents developments that are still under construction or where construction permit applications were pending as of January 2000.

In Section 6 of the Report, *SBFCo* estimates the potential EAV created by the projects in Categories II and III only and adds the estimated net new EAV to the Assessor's 1998 total EAV for the Near West RPA to estimate the total EAV for the RPA in 1999 and 2000. Projects in Category I were fully assessed in 1998; therefore no additional value was added to the assessor's 1998 assessment to account for these projects. To be conservative, we also did not include projects that have not yet been completed (those projects in Categories IV and V) in our estimate of future EAV and tax increment. Therefore, the resulting value of Category IV and V projects is expected to cause incremental EAV and taxes in 1999 and future years to be higher than what is projected in this Report.

In addition, there are numerous projects in the planning stages. Of particular note is a 37-story condominium high-rise called Skybridge. As currently planned, this project which will be located on the northeast corner of Halsted Street and Madison Street and will include 240 dwelling units, 600 parking spaces, and a 40,000 square foot grocery store. Construction is expected to begin in June 2000.

Descriptions, dates, and pricing information about projects under construction in the RPA are shown in the following five tables. The information and status of each project come from each respective development firm and/or sales or leasing office.

I. New Projects Completed and Fully Assessed in 1998

Hale Lofts 14 N. Peoria Street	Converted in 1995 from a commercial structure, this residential rental property contains 40 units and is fully rented.
Morgan Town Lofts 22 N. Morgan Street	Converted in 1994 from a commercial structure, this residential rental property contains 28 units and is fully rented.
Illinois Golf Academy 19 N. Sangamon Street	A new commercial building containing a business that provides golf training, services, and retail products.
Hoops 1001 W. Washington Street	A renovated building containing three basketball courts and party rooms available for rent by the hour.

II. New Projects Completed in 1998 and Fully Assessed in 1999

Madison Manor I Northwest corner of Madison and Sangamon Streets	New construction commenced October 1997; all 18 units sold as of December 1998 at an estimated average price of \$220,000; 2,300 SF of retail space sold at an estimated \$120 per SF. Parking sold separately to residents for \$14,500 per space.
--	---

1104 W. Madison	Conversion of a former boarding house to 5 condominium units priced at approximately \$230,000 each. Occupancy began when renovation was complete in November 1999. Two units were sold as of January 2000. All units are expected to be closed in by the end of summer 2000.
------------------------	---

V. Projects Under Construction

Monroe Manor South side of Monroe Street between Peoria and Green Streets	This new construction project commenced in Spring 1999. It consists of 42 residential units ranging in price from \$180,000 to \$500,000 plus parking. As of January 2000, 27 units were under contract. Closings began in Spring 2000. The project also contains 6,000 SF of retail space, which is under contract to sell for approximately \$150 per SF.
Madison Manor II North side of Madison between Sangamon and Peoria Streets	This project is currently under construction and is projected to open in July 2000. Phase I consists of 36 condominiums with asking prices ranging from \$200,000 to \$450,000; and 4,400 square feet of retail space to sell for \$150 per SF. Phase II consists of 42 additional residential units and about 4,400 SF of retail space. Parking will be sold separately to the residents of the condos.
1063 W. Madison Street	Construction started on this renovation project in August/Sept 1999. The project consists of six condominium units ranging in size from 1,400 SF to 2,350 SF. Sales started in February 2000.
Walgreen's East side of Halsted Street between Adams Street and Monroe Street	Recently completed and opened in May 2000, this project consists of a 40,000 SF Walgreen's.
Washington Boulevard Lofts 817 W. Washington Blvd.	This loft conversion project is currently under construction and will contain 40 units priced at approximately \$237,000. Renovation began in November 1999 and is expected to be complete in November 2000. Occupancy is expected to begin in summer 2000. Thirty-one units were under contract as of January 2000.

- Changes in legislation affecting the ability of the County to assess property pursuant to the assessment rates defined in the County's Property Tax Classification Ordinance.
- Legislative changes in the level and method of providing assistance to local governments, which may affect local governments' reliance upon property tax revenues.
- Changes in the manner in which homeowner or other property tax exemptions are applied to EAV which would affect the calculation of incremental EAV.
- Changes in the Tax Limitation Act which would further limit the ability of local governments to extend or increase property tax rates or levies.
- Changes in property tax laws which may affect or delay the timing or distribution of property taxes.
- Amendment or repeal of the Act resulting in the reduction or elimination of Incremental Taxes.
- Changes in State law through legislative enactment, judicial interpretation, or administrative ruling which could affect the mechanics of the property tax system and/or tax increment financing and adversely affect the amount of Incremental Taxes.

The Illinois Property Tax Appeal Board (the "PTAB"), a state-wide administrative body, has the power upon appeals to determine the assessed valuation of real property based on equity and the weight of the evidence. In two PTAB opinions rendered in March 2000, the PTAB chose not to apply the Cook County Classification Ordinance assessment levels. Instead, the PTAB utilized the median level of assessments derived from the Department of Revenue's sales ratio studies as the mechanism for determining the assessment levels. As a result, refunds were granted to the two commercial and industrial property owners who petitioned the PTAB.

A general reduction in the level of assessments as a result of the use of the methodology applied by the PTAB in these two recent opinions could have an adverse effect on the level of tax increment generated in a particular redevelopment project area. Currently, the Assessor's office is pursuing a remedy to this situation in the Illinois legislature. If enacted in its current form, Amendment No. 1 to Senate Bill 747, would require that in cases concerning commercial or industrial properties in counties with 3,000,000 or more inhabitants (like Cook County), for valuation appeals that concern a request for a change in assessed value of \$100,000 or more, the classification levels of the Cook County Classification Ordinance must be applied, except for residential property of six units or less.

Although it is impossible to precisely project the impact that the approach used in these two PTAB cases, which could be followed in other cases, would have on property tax revenue

(30%) in the twelfth year, except for industrial landmark properties that have been rehabilitated, which may apply for an indefinite number of 10-year renewal periods for the 16 percent (16%) classification. In our opinion, the effect of this amendment on projected Incremental Taxes as shown in Table 8 would be negligible.

- Amendments to the Cook County Property Tax Relief Ordinance, or the enactment of any additional ordinances which may further restrict the ability of the County to extend or increase property tax levies.
- Failure of the County Treasurer to distribute Incremental Taxes in a timely manner to the City or its designated trustee.
- Failure to administer assessment and tax extension practices and procedures of the County in accordance with applicable law.
- Changes in the manner in which the County Clerk calculates incremental EAV or Incremental Taxes which may result in possible reductions of Incremental Taxes.

Possible Future Actions By The Other Taxing Districts

- Reductions in a taxing district's property tax levy for whatever reason, which may result in a reduction in the property tax rate and Incremental Taxes.

Possible Future Actions By Taxpayers, Property Owners or Tenants

- Failure of the current or future property owners and their managers, leasing agents, or other professionals to maintain the economic viability of their property and to act promptly to replace tenants or sell their property to new occupants when the premises are vacated.
- Filing for bankruptcy, which may result in the non-payment of real estate taxes, and may prevent unpaid taxes from being offered at the County's annual tax sale.
- Successful application by one or more owners for the reduction of AV of a property below the levels assumed in this Report.
- Successful application by one or more owners for the reduction of AV through any of the County's special assessment classifications designed to stimulate investment, the collective result of which may be a reduction in Incremental Taxes.
- Failure to pay property taxes in a timely manner.
- Conveyance of property by one or more owners to tax-exempt entities, the collective result of which may be a reduction in Incremental Taxes.

5. Tax Revenue Projection Methodology

This section provides an overview of the assumptions used in estimating Incremental Taxes that are projected to be generated within the Near West RPA.

Each year the County Clerk determines Incremental Taxes separately for each tax code within TIF redevelopment project areas by aggregating the current EAV of all parcels within such tax code and subtracting the aggregate Certified Initial EAV for such tax code. The resulting “increment” in EAV for such tax code is then multiplied by the aggregate tax rate of the taxing agencies which extend taxes on the parcels within such tax code to determine the Incremental Taxes generated within such tax code.

For tax year 1998, the Near West RPA contained two Tax Codes 77003 and 77009. Parcels located within Tax Code 77003 are subject to the taxing jurisdictions that make up the General City Rate. Parcels located within Tax Code 77009 are subject to the taxing jurisdictions that make up the General City Rate and Special Service Area #16, which will expire in 2016 after the Bonds are retired.

Additional tax codes would have only a positive effect upon the Incremental Taxes for the Near West RPA. New tax codes are usually added when additional taxes (such as for special service areas) are levied for a small area. But tax codes can also be used to isolate specific properties, where the EAVs are expected to be eliminated or reduced permanently, in order to prevent erosion of Incremental Taxes.

The estimates of Incremental Taxes contained in this Report are based on the assumption that the County Clerk will (i) maintain these separate Tax Codes for the Near West RPA and (ii) determine Incremental Taxes separately for each such Tax Code. However, to be conservative in our estimates we have used only the General City Rate in our calculation of Incremental Taxes. We have not included the approximate 1% Special Service Area #16 tax rate in our estimate of incremental property taxes for tax code 77009. Therefore, actual incremental tax revenue will be higher than what is projected in this Report as long as Special Service Area #16 levies a special assessment.

General Methodology for Calculating Current Equalized Assessed Valuation

Current EAV is calculated for each tax parcel within the Near West RPA as follows:

$$\begin{array}{r} \text{Estimated Fair Market Value} \quad \quad \quad (\text{FMV}) \\ \times \text{ Assessment Rate} \\ \hline = \text{Assessed Valuation} \quad \quad \quad (\text{AV}) \\ \times \text{ State Equalization Factor} \\ \hline = \text{Current Equalized Assessed Valuation} \quad (\text{EAV}) \end{array}$$

After deducting any applicable homeowner’s or senior citizen’s exemptions, the County then aggregates current EAV at the Tax Code level to calculate Incremental Taxes. The number of senior citizens receiving EAV freezes also will impact the total EAV available to calculate Incremental

The estimates of future EAV and Incremental Taxes contained in this Report are based on the assumption that the FMV (and hence the EAV) of properties will remain at their 1998 tax year levels plus an inflation adjustment of 2.5 percent per annum as described in the paragraph below, entitled INFLATION ASSUMPTIONS. In addition, *SBFCo* identifies certain properties that have or will increase in value and substitutes an estimated new EAV for the actual 1998 EAV to estimate EAV in 1999. *SBFCo* estimated the 1999 valuations of the new projects based on the assessor's proposed 1999 assessed values. Descriptions of these new properties can be found in Section 3. Details on the estimated full assessment upon completion for each new project is available in *Table 3* located in Section 6.

Some properties within the Near West RPA are income-producing properties, a fact which is generally incorporated into the Assessor's determination of FMV. Future assessments of the properties within the Near West RPA will be sensitive to the actual income produced by the properties. In the event the existing properties within the Near West RPA fail to remain economically viable over the life of the Bonds or the income produced by any property is lower than reflected in the tax year 1998 FMV, the subsequent FMV of such property may be lower, resulting in levels of Incremental Taxes lower than those estimated in this Report.

ASSESSMENT RATES

Except for farmland and certain railroad property, which are assessed by the State, the County assesses all real estate within the County, including the Near West RPA, by (a) classifying the property or improvement by its type of use and (b) by multiplying its estimated FMV by the appropriate assessment rate, as described below.

<u>Cook County Major Property Classifications</u>		<u>Assessment Rate</u>
Class 1	Vacant Land	22 %
2	Residential (6 units or less)	16 %
3	Residential (more than 6 units) ^[1]	33 %
4	Not-for-profit	30 %
5a	Commercial	38 %
5b	Industrial	36 %

[1] Excludes condominiums and attached townhouses which are owned separately and assessed at 16 percent.

STATE EQUALIZATION FACTOR

The distribution of State grants-in-aid for education, highways and public assistance are based on a formula which includes a component of AV. To achieve more uniform assessments on a county-by-county basis for the equitable distribution of these grants-in-aid, the State issues an Equalization Factor for each county which is designed to make all real estate valuations uniform among the 102

TAX RATE

The aggregate tax rate for all taxing districts is extended against all taxable parcels to derive property taxes. The aggregate tax rate for a property is determined by summing the tax rates of all taxing districts having jurisdiction over that property. Estimates of future tax rates are discussed in the paragraph below entitled ESTIMATED FUTURE TAX RATES.

The estimates of Incremental Taxes contained in this Report assume that (i) all existing Tax Codes will continue to be administered consistent with existing practices, and (ii) no new Tax Codes will be established within the Near West RPA. However, to be conservative in our estimates we have used only the General City Rate in our calculation of Incremental Taxes. We have not included the approximate 1% Special Service Area #16 tax rate in our calculation of incremental property taxes for tax code 77009. Therefore, actual incremental tax revenue will be higher than what is projected in this Report as long as Special Service Area #16 levies a special assessment.

TAX LIMITATION ACT

On July 18, 1991, the Illinois General Assembly enacted Public Act 87-17, the Tax Limitation Act. In the County, Public Act 87-17 requires, for the 1992 extension and subsequent extensions, the County Clerk to use the prior year EAV to determine the rate at which taxes are to be extended in the current year.

Effective February 12, 1995, the Illinois General Assembly enacted Public Act 89-1 to amend the Tax Limitation Act to apply to County taxing districts for the 1994 extension and subsequent extensions. In addition to containing the requirement that this prior year's EAV be used to determine the rate at which taxes are to be extended in the current year, Public Act 89-1 requires that the growth in the 1994 extension be limited to five percent and that the growth in extensions subsequent to 1994 be limited to the lesser of five percent or the Consumer Price Index (CPI) for that year.

All taxing districts within the County, except home-rule municipalities such as the City, are subject to the Tax Limitation Act. In addition, any previously existing tax limits continue to apply to all applicable funds of taxing districts. Certain debt obligations are excluded from the Tax Limitation Act if separately levied, including general obligation bonds approved by referendum, general obligation bonds issued prior to March 1, 1995, and certain other fund extensions. Tax extensions for special service areas are specifically excluded from the Tax Limitation Act.

According to the State Department of Revenue publication entitled "*The Property Tax Extension Limitation Laws as Amended and Enacted by PA 89-1 and Their Application to Cook County Taxing Districts*," the County Clerk determines the final tax rate for extension under the Tax Limitation Act through the following steps:

- i) Compute preliminary tax rates for each taxing district by fund. *First*, establish the

than the CPI cap because the lost revenue generally can not be recaptured in later years unless new value is created. Currently, the application of the statutory tax rate does not result in a limit that is more restrictive than the CPI rule. This Report assumes that there will continue to be no statutory tax rate cap that is more restrictive than the projected CPI restriction and that taxing entities will levy the maximum allowed under the Tax Limitation Act.

The key variable impacting the tax rate during the triennial cycle is the relationship between the assumed CPI and the assumed rate at which the EAV increases. For example, if the CPI increases two percent annually and the EAV increases, *on average*, two percent annually, then the tax rate should be the same on every triennial assessment (everything else being equal). If the CPI increases faster than the EAV (net of new property valuations), then the tax rate would *increase* from triennial to triennial. If the EAV (net of new property valuations) increases faster than CPI, then the tax rate would *decline* from triennial to triennial.

CITY AND COUNTY ORDINANCES

The City and County have each adopted tax limitation ordinances. The City adopted the Chicago Property Tax Limitation Ordinance in 1993, affecting extensions beginning with 1994 extensions, and the County adopted the Cook County Property Tax Relief Ordinance in 1994, affecting extensions beginning with 1995 extensions. Both ordinances (the "Local Ordinances") are designed to limit the annual growth of their respective extensions to the lesser of five percent or the percent change in the CPI. However, both ordinances may be amended, repealed, or superseded pursuant to the home rule powers of the City and County, respectively, to override the limits and extend levies greater than five percent or the increase in the CPI.

INFLATION ASSUMPTIONS

There are three inflation assumptions considered in this Report:

- a) the change in the general inflation rate as represented by the Consumer Price Index (CPI) - All Urban Consumers for the Chicago, Gary and Kenosha area,
- b) the average annual growth rate of the city-wide EAV, and
- c) the average annual growth rate of the EAV in the Near West RPA.

Table 1 contains 12 years of historical information for the CPI, the city-wide EAV, and the West Chicago Township EAV (in which is located the Near West RPA). The historical period chosen (1987–1998) includes three triennial cycles with 1997 being the most recent triennial reassessment year available.

During all of the 1990s, the increase in the CPI has experienced a downward trend from 5.4 percent in 1990 to 2.7 percent in 1997 and a further drop to 2.0 percent in 1998. Over the nine years between the 1988 and 1997 triennial reassessments the CPI increased at a compounded rate of 3.5 percent per year. *SBFCo* chose to make an assumption based on the lowest, and therefore most

conservative, annual inflation rate. Therefore, *SBFCo* assumes that the CPI will increase 2.0 percent annually during the projected period for the Bonds.

The relationship between the assumed CPI growth rate and the city-wide EAV growth rate is significant to the calculation of the "limiting rate" as discussed above in the paragraph entitled TAX LIMITATION ACT. To the extent the city-wide EAV grows at a rate faster than the CPI, then the General City Rate will decline every triennial reassessment by an amount equal to the difference in the compounded growth rate of the CPI and the compounded growth rate of the city-wide EAV.

The city-wide EAV between 1988 and 1997 increased at a compounded annual rate of 4.9 percent which is 41 percent faster than the change in the CPI. This period represents a reasonable basis upon which to make an assumption for the next twelve years because this historical period begins at the top of an economic cycle and ends (presumably) close to the top of another economic cycle.

However, the first three years of that time period (1988 to 1991) represented an abnormally heated market for real estate values. In contrast, the next three years (1991 to 1994) represented an abnormally depressed market for real estate values. A better measure of the relationship between the CPI and EAV growth rates may be represented by the 1994 to 1997 time period when there existed a steady, healthy economic environment. During this three year period, the city-wide EAV grew at a compounded annual rate of 3.5 percent, or 22 percent faster than the CPI for the same time period. After considering the factors pertaining to the CPI-EAV relationship in the longer nine-year historical period with that of the shorter three-year period, *SBFCo* chose to assume in the Report that the city-wide EAV will grow at an average annual rate equal to 2.5 percent, which is 25 percent greater than the assumed projected CPI growth rate.

While the City General Rate is calculated and estimated based on the relationship between the CPI and city-wide EAV growth rates, the City General Rate is applied to the actual EAV in the Near West RPA. If the EAV growth rate in the Near West RPA exceeds the growth rate of city-wide EAV, then the tax revenues in the Near West RPA would grow at a faster rate than the tax revenues city-wide. The opposite also would hold true. In order to make an assumption regarding the rate of growth in the Near West RPA, *SBFCo* looked at the historical growth rates of the West Chicago Township, in which is located the Near West RPA. Since West Chicago Township is one of eight townships in the City, it is much closer in size to the Near West RPA, but still substantially larger.

Table 1 shows that the West Chicago Township EAV between 1988 and 1997 grew at a compounded annual rate of 6.9 percent, which exceeds the city-wide growth rate by 41 percent and exceeds the CPI by 100 percent. However, despite the faster historical growth rate in the township, *SBFCo* assumes in the Report that the EAV growth rate for the Near West RPA will grow at the same rate assumed for the city-wide EAV (2.5 percent).

When the assumed average EAV growth rate is applied to both the city-wide EAV, for determining the tax rate, and to the Near West RPA EAV, for determining the Incremental Taxes, *SBFCo* assumes that the EAVs will remain constant in the non-assessment years and then increase by 7.69

2005	8.6386
2006*	8.1822
2007	8.3458
2008	8.5127
2009*	8.0630
2010	8.2243

TAX COLLECTION RATE

The tax collection rate attempts to account for taxes that are uncollected or are the result of errors in assessments. Based on data contained from the Office of the Cook County Treasurer's Office, the collection rate for the taxes due for the 1997 tax year in the Near West RPA was 99.8 percent as of March 1999 and for the 1998 tax year in the Near West RPA was 89.5 percent as of April 2000. *SBFCo* assumes a future collection rate of 97.5 percent for the tax revenue projections shown in this Report.

6. *Estimated Future Incremental Taxes*

Calculation of Incremental Taxes

There are several steps involved in estimating the total EAV for the Near West RPA:

Step 1: Value of Existing Properties

SBFCo begins with the Assessor's 1998 EAV of all existing taxable properties within the Near West RPA which totaled \$66,111,928. This total breaks down into \$44,617,607 for Tax Code 77003 and \$21,494,321 for Tax Code 77009.

Step 2: Value Enhancements

Some properties have increased in value since the 1998 assessment due to the rehabilitation or conversion of existing buildings or new development. The value enhancements fall into two categories of projects (Categories II & III) – “New Projects Completed in 1998 and Fully Assessed in 1999” and “New Projects Completed in 1999 and to be Fully Assessed in 2000.” Descriptions of the projects in each category can be found in Section 3, above. All of the new projects identified are in Tax Code 77003.

Table 3 reflects the estimated potential valuations for both Category II and Category III projects as proposed by the Assessor in 1999, and adjusted by *SBFCo* based on project completion. Since *Table 3* reflects total potential valuations, an occupancy factor less than 100 percent was applied to the project EAV when full occupancy did not yet exist as of January 1st of the tax year. *Table 5* shows *SBFCo's* assumed occupancy factors for each project.

Step 3: Value Removals/EAV Deductions

Value removals from EAV occur as a result of two actions: (i) the reclassification of existing taxable land and improvements to tax-exempt status and (ii) the demolition of existing taxable improvements. *SBFCo* is not aware of any imminent value removals falling into this definition at this time. The estimates of Incremental Taxes contained in this Report assume that all buildings and properties which were tax-exempt in tax year 1998 will remain tax-exempt for the remaining life of the Near West RPA. In the event that additional buildings or sites are acquired by the City or other parties and are rendered tax-exempt, future EAV and Incremental Taxes would be lower than the levels estimated in this Report.

When *SBFCo* included estimates of value enhancements described in Step 2, *SBFCo* also removed the corresponding 1998 EAV for the land and improvements that existed prior to the new projects from the total EAV of the RPA in 1999 and later years to avoid double counting. The 1998 EAV that was removed for each project is shown in *Table 4*.

Table 6 shows the estimated EAVs for each of these projects for the period beginning 1998 and

Table 3
Major Assumptions for Estimating Incremental Taxes
Near West Redevelopment Project Area
Chicago, Illinois
S. B. Friedman & Company

NEW PROJECTS COMPLETED SINCE THE 1998 ASSESSMENT

Project Name	Total Units Sold	Assessor's Estimated FMV Per Unit	Assessment Rate	Full Assessed Value Upon Completion (1)	Estimated Equalization Factor (2)	Estimated Total EAV (3)	Homeowner Exemption Per Unit	Estimated Total EAV less Exemption (4)
Category II: New Projects Completed in 1998 and Fully Assessed in 1999								
Madison Manor I: Condos	18	\$ 144,200	16%	\$ 415,295	2.1437	\$ 890,251	4,500	\$ 809,251
Retail	N/A	N/A	38%	\$ 66,542	2.1437	\$ 142,643	N/A	\$ 142,643
Carmichael Steakhouse	N/A	N/A	38%	\$ 175,272	2.1437	\$ 375,724	N/A	\$ 375,724
McGuire Lofts: Residential Condos	8	\$ 183,938	16%	\$ 235,441	2.1437	\$ 504,705	4,500	\$ 468,705
Commercial Condo	1	N/A	38%	\$ 86,408	2.1437	\$ 185,229	N/A	\$ 185,229
Carmichael Place-Phase I	11	\$ 170,060	16%	\$ 299,305	2.1437	\$ 641,608	4,500	\$ 592,108
Adams Street Lofts	37	\$ 265,331	16%	\$ 1,570,759	2.1437	\$ 3,367,173	4,500	\$ 3,200,673
Total				\$ 2,849,022		\$ 6,107,335		\$ 5,774,335
Category III: New Projects Completed in 1999 and to be Fully Assessed in 2000								
Olympia Lofts	66	\$ 112,905	16%	\$ 1,192,277	2.1437	\$ 2,555,837	4,500	\$ 2,258,837
Total				\$ 1,192,277		\$ 2,555,837		\$ 2,258,837
Total - New Projects Completed				\$ 4,041,299		\$ 8,663,171		\$ 8,033,171

All of the projects in Categories II & III have been completely sold or rented.
(1) Based on Assessor's Proposed 1999 AV
(2) Equals the average over the last five years available (1994 - 1998)
(3) Before the Homeowners Exemption and before the occupancy adjustment
(4) After Homeowners Exemption and before the occupancy adjustment
FMV = Assessor's Fair Market Value, which is typically lower than actual sales prices
EAV = Equalized Assessed Value

THE COMMENTS AND ASSUMPTIONS CONTAINED IN THIS REPORT ARE AN INTEGRAL PART OF THIS TABLE.

Table 5 Assumed Occupancy Factors for Estimated Assessed Valuations Near West Redevelopment Project Area Chicago, Illinois S. B. Friedman & Company													
	Percentage of Project Assessed in Each Year												
	1	2	3*	4	5	6*	7	8	9*	10	11	12*	13
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NEW PROJECTS COMPLETED													
Category II: New Projects Completed in 1998 and Fully Assessed in 1999													
Madison Manor I: Condos (1)	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Retail	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Carmichael Steakhouse	93%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
McGuire Lofts: Residential Condo	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Commercial Cond	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Carmichael Place-Phase I	79%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Adams Street Lofts	50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Category III: New Projects Completed in 1999 and to be Fully Assessed in 2000													
Olympia Lofts	0%	84%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
An occupancy factor less than 100 percent was applied to the estimated project EAVs in Tables 3 when full occupancy did not yet exist as of January 1st of the tax year.													
(1) In 1998, these projects were assessed as residential rental units. Both buildings were converted to condominiums in 1998, which is reflected in the 1999 assessment of these projects.													
THE COMMENTS AND ASSUMPTIONS CONTAINED IN THIS REPORT ARE AN INTEGRAL PART OF THIS TABLE.													

Table 7a
Estimated Incremental Taxes -- Tax Code 77003
Near West Redevelopment Project Area
Chicago, Illinois
S. B. Friedman & Company

TIF Year	Tax Year	ESTIMATED E. A. V.					Certified Initial EAV	Incremental EAV	Assumed Tax Rate	Est. Incremental Tax Revenue		Cumulative Revenue Collected
		EAV Base (1)	New Projects Completed (Table 6)	Deduction For Value Accounted For In EAV Base (Table 4)	Total Estimated EAV (Jan 1)	Generated				Revenue Collection Rate	Collected (Dec 1)	
10	1998	44,617,607	-	-	44,617,607	24,894,391	19,723,216	8.8720%	1,749,844	89.48%		
11	1999	44,617,607	7,682,026	6,762,008	45,537,625	24,894,391	20,643,234	8.8957%	1,836,360	97.50%	1,565,760	1,565,760
12 *	2000	48,048,283	8,477,163	7,281,943	49,243,503	24,894,391	24,349,112	8.4258%	2,051,607	97.50%	1,790,451	3,356,211
13	2001	48,048,283	8,477,163	7,281,943	49,243,503	24,894,391	24,349,112	8.5943%	2,092,636	97.50%	2,000,317	5,356,529
14	2002	48,048,283	8,477,163	7,281,943	49,243,503	24,894,391	24,349,112	8.7662%	2,134,492	97.50%	2,040,320	7,396,848
15 *	2003	51,742,745	9,128,978	7,841,857	53,029,866	24,894,391	28,135,475	8.3031%	2,336,117	97.50%	2,081,130	9,477,978
16	2004	51,742,745	8,955,294	7,841,857	52,856,183	24,894,391	27,961,792	8.4692%	2,368,140	97.50%	2,277,714	11,755,692
17	2005	51,742,745	8,955,294	7,841,857	52,856,183	24,894,391	27,961,792	8.6386%	2,415,507	97.50%	2,308,937	14,064,628
18 *	2006	55,721,277	9,643,873	8,444,822	56,920,328	24,894,391	32,025,937	8.1822%	2,620,426	97.50%	2,355,120	16,419,748
19	2007	55,721,277	9,470,189	8,444,822	56,746,645	24,894,391	31,852,254	8.3458%	2,658,325	97.50%	2,554,916	18,974,663
20	2008	55,721,277	9,470,189	8,444,822	56,746,645	24,894,391	31,852,254	8.5127%	2,711,487	97.50%	2,591,867	21,566,531
21 *	2009	60,005,721	10,198,358	9,094,150	61,109,929	24,894,391	36,215,538	8.0630%	2,920,059	97.50%	2,643,700	24,210,230
22	2010	60,005,721	10,024,675	9,094,150	60,936,246	24,894,391	36,041,855	8.2243%	2,964,190	97.50%	2,847,057	27,057,288
23	2011										2,890,086	29,947,373
24 *	2012	(2)										

* Re-assessment year

- (1) The 1998 EAV is the actual amount for all taxable parcels with Tax Code 77003 in the Near West RPA. In 1999, the estimated EAV is adjusted (see Table 4) to omit EAVs for projects separately analyzed and included in the New Projects Completed column. Beginning with the 2000 triennial reassessment, the EAVs are adjusted for inflation.
- (2) The Near West Redevelopment Project Area expires in March 2012.

THE COMMENTS AND ASSUMPTIONS CONTAINED IN THIS REPORT ARE AN INTEGRAL PART OF THIS TABLE.

Table 7c
Total Estimated Incremental Taxes – Tax Codes 77003 and 77009
Near West Redevelopment Project Area
Chicago, Illinois
S. B. Friedman & Company

TIF Year	Tax Year	ESTIMATED E. A. V.					Certified Initial EAV	Incremental EAV	Blended Tax Rate (3)	Est. Incremental Tax Revenue		Cumulative Revenue Collected
		EAV Base (1)	New Projects Completed (Table 6)	Deduction For Value Accounted For In EAV Base (Table 4)	Total Estimated EAV (Jan 1)	Generated				Revenue Collection Rate	Collected (Dec 1)	
10	1998	66,111,928	-	-	66,111,928	36,805,571	29,306,357	8.8720%	2,600,060	89.48%		
11	1999	66,111,928	7,682,026	6,762,008	67,031,946	36,805,571	30,226,375	8.8957%	2,688,848	97.50%	2,326,534	2,326,534
12 *	2000	71,195,315	8,477,163	7,281,943	72,390,535	36,805,571	35,584,964	8.4258%	2,998,318	97.50%	2,621,626	4,948,160
13	2001	71,195,315	8,477,163	7,281,943	72,390,535	36,805,571	35,584,964	8.5943%	3,058,279	97.50%	2,923,360	7,871,520
14	2002	71,195,315	8,477,163	7,281,943	72,390,535	36,805,571	35,584,964	8.7662%	3,119,449	97.50%	2,981,822	10,853,342
15 *	2003	76,669,568	9,128,978	7,841,857	77,956,689	36,805,571	41,151,118	8.3031%	3,416,818	97.50%	3,041,463	13,894,805
16	2004	76,669,568	8,955,294	7,841,857	77,783,006	36,805,571	40,977,435	8.4692%	3,470,461	97.50%	3,331,398	17,226,203
17	2005	76,669,568	8,955,294	7,841,857	77,783,006	36,805,571	40,977,435	8.6386%	3,539,877	97.50%	3,383,699	20,609,902
18 *	2006	82,564,739	9,643,873	8,444,822	83,763,789	36,805,571	46,958,218	8.1822%	3,842,215	97.50%	3,451,380	24,061,282
19	2007	82,564,739	9,470,189	8,444,822	83,590,106	36,805,571	46,784,535	8.3458%	3,904,544	97.50%	3,746,160	27,807,442
20	2008	82,564,739	9,470,189	8,444,822	83,590,106	36,805,571	46,784,535	8.5127%	3,982,627	97.50%	3,806,930	31,614,372
21 *	2009	88,913,193	10,198,358	9,094,150	90,017,402	36,805,571	53,211,831	8.0630%	4,290,470	97.50%	3,883,061	35,497,433
22	2010	88,913,193	10,024,675	9,094,150	89,843,718	36,805,571	53,038,147	8.2243%	4,362,016	97.50%	4,183,208	39,680,641
23	2011										4,252,966	43,933,607
24 *	2012	(2)										

* Re-assessment year

- (1) The 1998 EAV is the actual EAV of all taxable parcels in the Near West RPA. In 1999, the estimated EAV is adjusted (see Table 5) to omit EAVs of projects separately analyzed and included in the New Projects Completed column. Beginning with the 2000 triennial reassessment, all EAVs are adjusted for inflation.
- (2) The Near West Redevelopment Project Area expires in March 2012.
- (3) The blended tax rate is the weighted average tax rate for Tax Codes 77003 and 77009 combined. In 1998, the actual tax rate was 8.8720 for tax code 77003 and 9.863 for tax code 77009. In our projection of incremental tax revenue in future years (1999 and later), we used only the City's General Tax Rate.

THE COMMENTS AND ASSUMPTIONS CONTAINED IN THIS REPORT ARE AN INTEGRAL PART OF THIS TABLE.

APPENDIX C

Form of Opinion of Co-Bond Counsel

[Letterhead of Co-Bond Counsel]

[Date of Closing]

City of Chicago
Chicago, Illinois

Cole Taylor Bank
Chicago, Illinois

We have acted as co-bond counsel in connection with the issuance and delivery by the City of Chicago (the "City") of \$11,560,000 aggregate principal amount of its Tax Increment Allocation Bonds (Near West Redevelopment Project), Series 2000 (the "Bonds"). The Bonds are issued pursuant to the Tax Increment Allocation Redevelopment Act, as amended, 65 ILCS 5/11-74.4-1, et seq. (the "Act").

We have examined a certified copy of the record of proceedings of the City relating to the Bonds, together with various accompanying certificates, pertaining to the issuance of the Bonds. The record of proceedings includes an ordinance adopted by the City Council of the City on May 12, 1999 (the "Ordinance") providing for the issuance of the Bonds. The Bonds are being issued pursuant to the Ordinance and a Trust Indenture, dated as of July 1, 2000 from the City to Cole Taylor Bank, as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture, dated as of July 1, 2000 (collectively, the "Indenture"), from the City to the Trustee.

The Bonds shall mature on January 1 of each of the following years, in the respective principal amount set forth opposite each such year and shall bear interest from their date, payable January 1, 2001 and semiannually thereafter on January 1 and July 1 of each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2001	\$700,000	6.000%
2002	740,000	4.625%
2003	780,000	5.500%
2004	825,000	5.500%
2005	870,000	5.500%
2006	920,000	5.500%
2007	970,000	5.500%
2008	1,025,000	5.500%
2009	1,080,000	5.250%
2010	1,145,000	6.000%
2011	1,215,000	6.000%
2012	1,290,000	6.000%

Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The City has covenanted in the Indenture to comply with these requirements.

Interest on the Bonds is not exempt from Illinois income taxes.

Respectfully yours,

APPENDIX D

Specimen Municipal Bond Insurance Policy

Ambac

Municipal Bond Insurance Policy

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mifflin Street, Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0340

Issuer:

Policy Number:

Bonds:

Premium:

Ambac Assurance Corporation (Ambac) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Ambac will make such payments to the Insurance Trustee within one (1) business day following notification to Ambac of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's right to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of Ambac or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to Ambac all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all the Bondholder's rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President



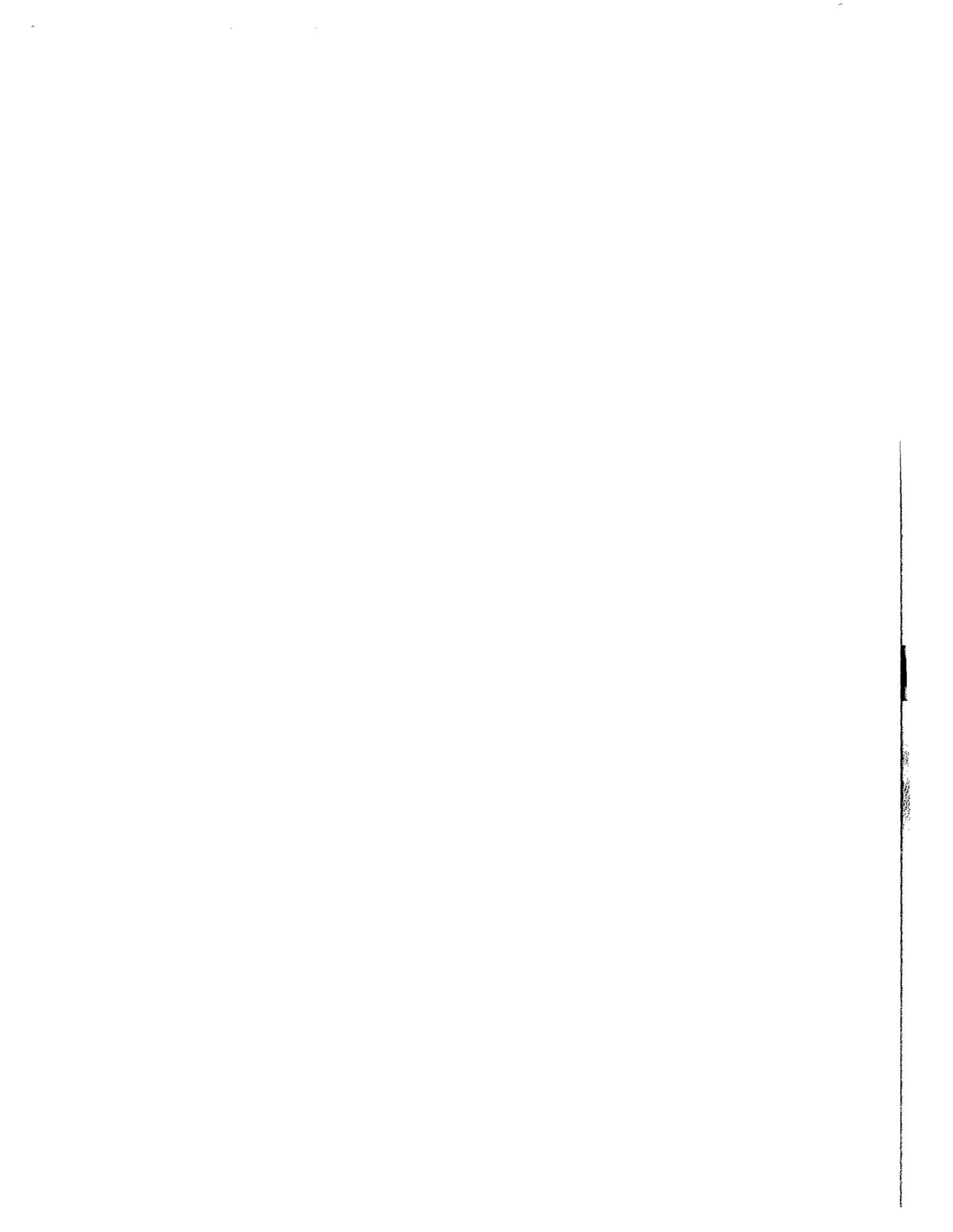
Secretary

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer



**Near West Redevelopment Project Area
2000 Annual Report**

(9) ANALYSIS OF DEBT SERVICE - 65 ILCS 5/11-74.4-5(d)(8)(B)

This information is contained in the official statements, limited offering memoranda, promissory notes or debt service schedules of such obligations. See attached.

**Near West Redevelopment Project Area
2000 Annual Report**

(10) CERTIFIED AUDIT REPORT - 65 ILCS 5/11-74.4-5(d)(9)

Please see attached.

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

Established 1922

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the combined balance sheet of Near West Redevelopment Project of the City of Chicago, Illinois as of December 31, 2000, and the related combined statement of revenues, expenditures and changes in fund balance for the year then ended, and have issued our report thereon dated May 17, 2001.

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

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

Bansley and Kiener, L.L.P.

Certified Public Accountants

May 17, 2001

Near West Redevelopment Project Area 2000 Annual Report

(11) GENERAL DESCRIPTION AND MAP

The Near West Redevelopment Project Area, is generally bounded by Lake Street on the north, Van Buren and the Circle Interchange of the Dan Ryan, Eisenhower, and Kennedy Expressways on the south, the Kennedy Expressway on the east, and May Street on the west. The map below illustrates the location and general boundaries of the Project Area. For precise boundaries, please consult the legal description in the Redevelopment Plan.

