
2001 Annual Report

Central Loop Redevelopment Project Area



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

JUNE 30, 2002

June 30, 2002

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 Central Loop 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

**Central Loop Redevelopment Project Area
2001 Annual Report**

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

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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, 2002

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 Central Loop
Redevelopment Project Area (Report) pursuant to 65 ILCS 5/11-74.4-5(d).

Sincerely,

Alicia Mazur Berg
Commissioner

NEIGHBORHOODS



Central Loop Redevelopment Project Area 2001 Annual Report

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

The Project Area was designated on June 20, 1984. The Project Area may be terminated no later than June 20, 2007.

**Central Loop Redevelopment Project Area
2001 Annual Report**

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

Please see attached.

***City of Chicago, Illinois
Central Loop Redevelopment
Project***

*Financial Statements for the
Years Ended December 31, 2001 and 2000,
Required Supplementary and
Additional Information for the
Years Ended December 31, 2001 and 2000 and
Independent Auditors' Report*

CITY OF CHICAGO, ILLINOIS

CENTRAL LOOP REDEVELOPMENT PROJECT

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined balance sheet of the City of Chicago, Illinois' Central Loop Redevelopment Project (the "Project") as of December 31, 2001, and the related combined statements of revenues, expenditures and changes in fund balance for the years ended December 31, 2001 and 2000. These combined financial statements are the responsibility of the management of the City of Chicago, Illinois. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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 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, such combined financial statements present fairly, in all material respects, the financial position of the Project as of December 31, 2001, and the results of its operations for the years ended December 31, 2001 and 2000 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 additional information, which is also the responsibility of the City's management, is presented for purposes of additional analysis and is not a required part of the financial statements, but is required by the Illinois Tax Increment Financing Act of 1997. Such additional information (page 8) has been subjected to the auditing procedures applied in our 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.

Deloitte & Touche LLP

June 21, 2002

CITY OF CHICAGO, ILLINOIS

CENTRAL LOOP REDEVELOPMENT PROJECT

COMBINED BALANCE SHEET

ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 2001, WITH COMPARATIVE TOTALS FOR 2000

	2001			Totals (Memorandum Only)	
	Governmental Fund Types	Fiduciary Fund Types	General Long-Term Debt Account Group	2001	2000
ASSETS:					
Cash and cash equivalents (Note 2)	\$ 57,694,430	\$ 3,385,982		\$ 61,080,412	\$ 112,043,951
Investments (Note 2)	60,822,744			60,822,744	71,069,172
Cash and investments with escrow agent	72,723,962			72,723,962	62,118,533
Property taxes receivable	51,548,000			51,548,000	43,766,506
Accrued interest receivable	902,575	4,053		906,628	2,117,565
OTHER DEBITS:					
Amount available for debt service			\$ 74,135,498	74,135,498	65,494,441
Amount to be provided for retirement of long-term debt			207,611,116	207,611,116	234,352,173
TOTAL ASSETS AND OTHER DEBITS	\$ 243,691,711	\$ 3,390,035	\$ 281,746,614	\$ 528,828,360	\$ 590,962,341
LIABILITIES AND FUND BALANCE:					
Vouchers payable	\$ 7,020,548			\$ 7,020,548	\$ 4,325,648
Accrued interest	1,012,997			1,012,997	1,406,953
Due to other funds	956,884			956,884	1,101,330
Accrued liabilities	462,500	\$ 3,390,035		3,852,535	3,383,315
Deferred revenue	49,945,689			49,945,689	42,242,119
Bonds payable (Note 3)			\$ 281,746,614	281,746,614	299,846,614
Total liabilities	59,398,618	3,390,035	281,746,614	344,535,267	352,305,979
Fund balance:					
Reserved for encumbrances (Note 5)	15,981,901			15,981,901	11,976,744
Reserved for debt service	74,135,498			74,135,498	65,494,441
Designated for future redevelopment project costs	94,175,694			94,175,694	161,185,177
Total fund balance	184,293,093			184,293,093	238,656,362
TOTAL LIABILITIES AND FUND BALANCE	\$ 243,691,711	\$ 3,390,035	\$ 281,746,614	\$ 528,828,360	\$ 590,962,341

See notes to combined financial statements.

CITY OF CHICAGO, ILLINOIS

CENTRAL LOOP REDEVELOPMENT PROJECT

COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
REVENUES:		
Property tax	\$ 50,571,696	\$ 44,604,950
Investment income	8,371,801	8,407,178
Rental revenue	45,675	
	<hr/>	<hr/>
Total revenues	58,989,172	53,012,128
EXPENDITURES:		
Capital projects	74,158,269	54,548,611
Principal retirement	18,100,000	16,800,000
Interest expense	15,094,172	6,072,654
Bond issuance costs		4,969,533
	<hr/>	<hr/>
Total expenditures	107,352,441	82,390,798
DEFICIENCY OF REVENUES OVER EXPENDITURES	(48,363,269)	(29,378,670)
OTHER FINANCING SOURCES (USES):		
Proceeds of debt		240,315,591
Payment to refunded bond escrow agent		(94,960,136)
Operating transfers out (Note 4)	(6,000,000)	(18,000,000)
	<hr/>	<hr/>
Total other financing sources (uses)	(6,000,000)	127,355,455
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(54,363,269)	97,976,785
FUND BALANCE, BEGINNING OF YEAR	238,656,362	140,679,577
	<hr/>	<hr/>
FUND BALANCE, END OF YEAR	\$ 184,293,093	\$ 238,656,362
	<hr/>	<hr/>

See notes to combined financial statements.

CITY OF CHICAGO, ILLINOIS

CENTRAL LOOP REDEVELOPMENT PROJECT

NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2001 AND 2000

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Project - The Central Loop Redevelopment Project (Project) was established as a Tax Increment Financing (TIF) district by the City of Chicago, Illinois (City) in 1997. The Project is an extension of the North Loop Redevelopment Project established in 1986. The area has been established to finance improvements, leverage private investment, and create and retain jobs. Reimbursements, if any, are made to developers for Project costs as public improvements are completed and pass City inspection.

Fund Accounting - The Project uses fund accounting to organize its accounts on the basis of funds and account groups, each of which is a separate accounting entity, with a separate set of self-balancing accounts as follows:

- **Governmental Funds** - The Project is accounted for within the capital projects, debt service and special revenue funds of the City. Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities. Debt service funds account for the accumulation of resources for, and the payment of, general long-term debt and related costs. Special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal, grant or regulatory provisions or administrative action. These funds are presented herein on a combined basis.
- **Agency Fund** - An agency fund accounts for assets held by the Project in a trustee capacity for a developer deposit. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- **General Long-Term Debt Account Group** - The general long-term debt account group accounts for all long-term obligations of the Project.

Basis of Accounting - Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting with only current assets and current 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.

Management's Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Encumbrances - Encumbrances are purchase orders, contracts and other commitments for expenditures of funds and are recorded to reserve that portion of the applicable appropriation. Encumbrances are reported as reservations of fund balances because they do not constitute expenditures or liabilities.

Cash, Cash Equivalents and Investments - The bond proceeds and incremental taxes associated with the Project are deposited with the City Treasurer or a trust account. The Municipal Code of Chicago (Code) permits deposits only to City Council-approved depositories, which must be regularly organized state or national banks and federal and state savings and loan associations, located within the City, whose deposits are federally insured. The City uses separate escrow accounts in which certain tax revenues are deposited and held for payment of general obligation debt.

Investments authorized by the Code include interest-bearing general obligations of the City, State of Illinois (State), and U.S. Government; U.S. treasury bills and other non-interest-bearing general obligations of the U.S. Government purchased in the open market below face value; domestic money market funds regulated and in good standing with the Securities and Exchange Commission; and tax anticipation warrants issued by the City. The City is prohibited by ordinance from investing in derivatives, as defined, without City Council approval.

Investments, generally, may not have a maturity in excess of one year from the date of purchase. Certain other investment balances are held in accordance with the specific provisions of the applicable bond ordinance.

Cash equivalents include certificates of deposit and other investments with maturities of three months or less when purchased.

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

Fixed Assets - 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.

Total Columns - Total Columns used on the balance sheet are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present the financial position of the Project in conformity with accounting principles generally accepted in the United States of America, and, thus, are not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits - Certain deposits with the City Treasurer are commingled and invested by the Treasurer with deposits from other City funds; accordingly, it is not practical to disclose the related bank balance of such cash deposits for the Project. Of the City Treasurer's total bank balances at December 31, 2001, \$102 million or 100 percent were either insured or collateralized with securities held by City agents in the City's name.

Investments - Investments are categorized to give an indication of the level of credit risk. Category 1 includes investments that are insured or registered in the City's name or the securities were held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or its agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution or counterparty, or by its trust department or agent, but not in the City's name. Pooled funds include primarily money market accounts. The following table provides a summary for all Project funds at December 31, 2001:

Description	Risk Category	2001
U.S. Government obligations	1	\$ 67,696,387
Noncategorized - pooled funds		<u>105,660,799</u>
Total		<u>\$ 173,357,186</u>

The following reconciles the fair value of investments to the financial statements:

	2001
Investments	\$ 60,822,744
Investments included in cash and investments with escrow agent	72,723,962
Investments included in cash and cash equivalents	<u>39,810,480</u>
Total	<u>\$ 173,357,186</u>

3. BONDS PAYABLE

Tax Increment Allocation Bonds (Central Loop Redevelopment Project), Series 2000 A and Taxable Series 2000 B (\$142.3 million) were sold in November 2000. The Series 2000 A (\$79.9 million) were sold as capital appreciation bonds having yields of 5.03 percent and maturity dates ranging from December 1, 2005 to December 1, 2008. The Taxable Series 2000 B (\$62.4 million) were sold as current interest bonds having interest rates ranging from 6.55 percent to 6.8 percent with maturity dates ranging from December 1, 2002 to December 1, 2005. Net proceeds of \$139.4 million will be used to finance certain Project costs (\$125.2 million) and fund the debt service reserve account (\$14.2 million).

Subordinate Tax Increment Allocation Bonds (Central Loop Redevelopment Project), Series 2000 A (\$98.9 million) were sold in November 2000. The bonds have interest rates ranging from 6.25 percent to 6.5 percent with maturity dates ranging from December 1, 2002 to December 1, 2008. Net proceeds of \$95.9 million together with certain proceeds of \$10 million released from the debt service reserve account in respect to the Tax Increment Allocation Bonds (Central Loop Redevelopment Project), Series 1997 A were used to advance refund all of the Tax Increment Allocation Bonds (Central Loop Redevelopment Project), Series 1997 A (\$95 million); fund the debt service reserve requirement for the Subordinate Tax Increment Allocation Bonds (Central Loop Redevelopment Project), Series 2000 A (\$9.9 million); and fund a portion of the Project costs (\$1 million). The advance refunding increased total debt payments by \$22.9 million and resulted in an economic loss of \$9.2 million. The City

advance refunded the Series 1997 A bonds in order to remove certain covenants and to issue new bonds to finance additional redevelopment project costs.

In November 1997, the City authorized and issued the City of Chicago Tax Increment Allocation Bonds (Central Loop Redevelopment Project) \$96 million Series 1997 A and \$91 million Taxable Series 1997 B. The bonds have interest rates ranging from 4.5 percent to 6.375 percent and have maturity dates ranging from June 1, 1999 to June 1, 2007. Certain net proceeds (\$166.6 million) are to be used to finance redevelopment of the TIF district. During 2000, \$96 million was defeased with the issuance of the new bonds. The remaining amounts outstanding are recorded in the City's general long-term debt account group.

The following summarizes debt service requirements as of December 31, 2001:

Year Ending December 31	Principal	Interest	Total
2002	\$ 33,800,000	\$ 12,575,138	\$ 46,375,138
2003	36,975,000	10,365,151	47,340,151
2004	37,825,000	8,562,225	46,387,225
2005	44,905,604	9,178,061	54,083,665
2006	35,769,430	12,488,945	48,258,375
2007 - 2008	<u>92,471,580</u>	<u>26,476,670</u>	<u>118,948,250</u>
Total	<u>\$281,746,614</u>	<u>\$79,646,190</u>	<u>\$361,392,804</u>

4. OPERATING TRANSFERS OUT

During 2001 and 2000, the Project transferred funds to the City's General Fund relating to initial start-up costs funded by the City of \$6 million and \$18 million, respectively.

5. COMMITMENTS

As of December 31, 2001, the Project has entered into contracts for services and construction projects for approximately \$16 million.

* * * * *

CITY OF CHICAGO, ILLINOIS

CENTRAL LOOP REDEVELOPMENT PROJECT

SCHEDULES OF EXPENDITURES BY STATUTORY CODE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
EXPENDITURES:		
Costs of studies, surveys, development of plans and specifications, implementation and administration of the redevelopment plan including but not limited to staff and professional service costs for architectural, engineering, legal and marketing	\$ 2,065,849	\$ 1,823,962
Costs of property assembly, including but not limited to acquisition of land and other property, real or personal, or rights and interests therein, demolition of buildings, and the clearing and grading of land	12,399,500	25,242,399
Costs of rehabilitation, reconstruction or repair or remodeling of existing public or private buildings and fixtures	11,748,977	20,141,381
Costs of the construction of public works or improvements	43,588,319	7,222,725
Costs of job training and retraining projects	627,774	13,222
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	33,194,172	27,842,187
Costs of relocation to the extent that a municipality determines that relocation costs shall be paid or is required to make payment of relocation costs by federal or state law	233,143	104,922
Costs of interest incurred by a redeveloper related to the construction, renovation or rehabilitation of a redevelopment project	<u>3,494,707</u>	<u> </u>
TOTAL EXPENDITURES	<u>\$107,352,441</u>	<u>\$82,390,798</u>

**Central Loop Redevelopment Project Area
2001 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
Attn: Barbara McKinzie

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

Arne Duncan, 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 Central Loop 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, 2001, 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 28th day of June, 2002.


Richard M. Daley, Mayor
City of Chicago, Illinois

**Central Loop Redevelopment Project Area
2001 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 28, 2002

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
Attn: Barbara McKinzie

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

Arne Duncan, 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: Central Loop 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.

NEIGHBORHOODS



June 28, 2002

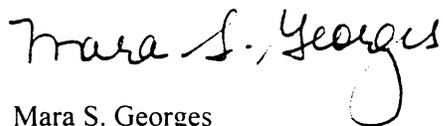
Attorneys, past and present, in the Law Department of the City familiar with the requirements of the Act have had general involvement in the proceedings affecting the Redevelopment Project Area, including the preparation of ordinances adopted by the City Council of the City with respect to the following 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:

Central Loop Redevelopment Project Area 2001 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, 2001	
	2001
Revenues	
Property tax	\$ 50,571,696
Sales tax	-
Interest	8,371,801
Rental revenue	45,675
Total revenues	58,989,172
Expenditures	
Costs of studies, admin., and professional services. (q)(1)	2,065,849
Marketing costs. (q)(1.6)	-
Property assembly, demolition, site preparation and environmental site improvement costs. (q)(2)	12,399,500
Costs of rehabilitation, reconstruction, repair or remodeling and of existing buildings. (q)(3)	11,748,977
Costs of construction of public works and improvements. (q)(4)	43,588,319
Cost of job training and retraining. (q)(5)	627,774
Financing costs. (q)(6)	33,194,172
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)	233,143
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)	3,494,707
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	107,352,441
Expenditures over revenues	48,363,269
Other financing uses	
Operating transfers out	6,000,000
Expenditures and other financing uses over revenues	54,363,269
Fund balance, beginning of year	238,656,362
Fund balance, end of year	\$ 184,293,093
Fund Balance	
Reserved for debt service	74,135,498
Reserved for encumbrances	15,981,901
Designated for future redevelopment project costs	\$ 94,175,694
Total fund balance	\$ 184,293,093

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**(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
Administrative Costs ¹	Administration	\$951,890
Earl L. Neal & Associates, LLC	Consulting	\$422,836
Annette Favia	Consulting	\$5,908
Burke Warren MacKay and Serritella	Consulting	\$14,870
Shefsky & Froelich, Ltd.	Consulting	\$25,764
Gonzalez/Hasbrouk, Inc.	Consulting	\$49,037
Arthur Andersen LLP	Consulting	\$124,726
Integra Realty Resources	Consulting	\$23,100
William A. McCann & Associates	Consulting	\$8,171
Deloitte & Touche	Consulting	\$15,500
Record Copy Service	Consulting	\$5,095
The Edfors Group	Consulting	\$18,000
Gibbons & Gibbons, Ltd.	Consulting	\$51,600
U.S. Equities Development Corp.	Consulting	\$153,108
The Lakota Group	Consulting	\$9,001
Kaplan & Weiss	Consulting	\$8,475
O'Donnell, Wicklund, Pignozzi & Peterson	Consulting	\$88,017
Audio Visual	Consulting	\$5,476
AVA Consultants	Consulting	\$19,863
S.B. Friedman & Co.	Consulting	\$26,077
Chicago Department of Transportation	Consulting	\$19,219
201 N. Wells Investors, LLC	Property Assembly	\$6,600,000
Frank J. Howell and Unknown Owner	Property Assembly	\$199,500

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

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(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
Katherine T. Roche, as Trustee under Family Trust of Katherine T. Roche	Property Assembly	\$100,000
One South State Street, LLC	Property Assembly	\$5,500,000
Chicago Theater Group d/b/a The Goodman Theater	Cost of Rehabilitation	\$1,738,031
Sears Roebuck & Co.	Cost of Rehabilitation	\$8,925,000
Mentor Building LLC	Cost of Rehabilitation	\$625,000
SomerCor 504, Inc.	Cost of Rehabilitation	\$160,875
One North Dearborn Trust	Cost of Rehabilitation	\$300,071
Walsh Construction	Cost of Public Improvements	\$370,145
Public Building Commission	Cost of Public Improvements	\$37,678,075
Capitol Cement Co, Inc.	Cost of Public Improvements	\$774,852
McDonough Associates Inc.	Cost of Public Improvements	\$1,614,899
Chicago Department of Transportation	Cost of Public Improvements	\$1,959,512
Chicago United	Cost of Public Improvements	\$8,278
Baker Heavy	Cost of Public Improvements	\$166,624
F.H. Paschen	Cost of Public Improvements	\$22,125
Chicago Department of Streets and Sanitation	Cost of Public Improvements	\$19,040
Tecma Associates	Cost of Public Improvements	\$10,784
Kenny Construction	Cost of Public Improvements	\$955,474
Careerworks	Cost of Job Training	\$5,490
KidSmart Summer Youth Initiative Program	Cost of Job Training	\$401,700
The Arts Matter	Cost of Job Training	\$25,000
Jobs for Youth	Cost of Job Training	\$195,584
Cole Taylor Bank	Financing Costs	\$33,194,172
Gregory Smits d/b/a Marshall Photographer, Inc.	Cost of Relocation	\$166,382

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**(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
Ossamas, Inc.	Cost of Relocation	\$20,000
Anderson Washington	Cost of Relocation	\$7,844
Lawrence Brown	Cost of Relocation	\$5,349
Michael Zuber	Cost of Relocation	\$9,465
Homer Ward	Cost of Relocation	\$6,735
Anthony Dvornick	Cost of Relocation	\$5,124
Amalgamated Bank of Chicago	Cost of Interest Expense for Developers	\$3,494,707

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

TABLE 6

DESCRIPTION OF PROPERTY PURCHASED BY THE MUNICIPALITY WITHIN THE REDEVELOPMENT PROJECT AREA

STREET ADDRESS	APPROXIMATE SIZE OR DESCRIPTION OF PROPERTY	PURCHASE PRICE	SELLER OF PROPERTY
174 W. RANDOLPH STREET ¹	3,600 SQ. FT.	\$900,000	ILLINOIS DEPARTMENT OF HUMAN SERVICES
151 N. STATE STREET ¹	39,900 SQ. FT.	\$194,240	HARRIS TRUST & SAVINGS TR#38310

¹ This property was acquired either through a condemnation court proceeding or by negotiated settlement in lieu of condemnation.

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(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 11/1/00 to 12/31/01, and of such investments expected to be undertaken in Year 2002; also, a project-by-project ratio of private investment to public investment from 11/1/00 to 12/31/01, 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.

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

TABLE 7(A)
PROJECTS IMPLEMENTED IN THE PROCEEDING FISCAL YEAR

NAME
OF PROJECT

One South State Street, LLC
Michigan Wacker Associates, LLC
201 North Wells Investors, LLC and 201 North Wells Investors, Inc.
St. George Hotel, LLC and HRH Development, LLC

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

Redevelopment activities undertaken within this Project Area during the year 2001, if any, have been made pursuant to i) the Redevelopment Plan for the Project Area, and ii) any Redevelopment Agreements affecting the Project Area, and are set forth on Table 5 herein by TIF-eligible expenditure category.

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

**TABLE 7 (C)
AGREEMENTS ENTERED INTO WITH REGARD TO THE DISPOSITION & REDEVELOPMENT OF
PROPERTY WITHIN THE PROJECT AREA**

PARTIES TO AGREEMENT WITH CITY	NATURE OF AGREEMENT	PROJECT DESCRIPTION	ADDRESS	JOBS CREATED/ RETAINED
One South State Street, L.L.C.	Redevelopment Agreement	The renovation of a 12-story building comprised of 1,000,000 square feet of retail and commercial space.	1 South State Street	463/1,300
Michigan Wacker Associates, L.L.C.	Redevelopment Agreement	In connection with the Developer's rehabilitation of the building located at 75 East Wacker, the City will provide up to \$1.5 million for the rehabilitation of the building's cupola.	75 East Wacker Drive	n/a
201 North Wells Investors, L.L.C. and 201 Wells Investors, Inc.	Redevelopment Agreement	The restoration and adaptive re-use of the historic Trustees Service System building. The project will convert the building from office and retail use to a 293-unit residential property that will also include 13,904 square feet of retail.	201 North Wells	10 FTE and 350 construction

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TABLE 7(C) CONTINUED

PARTIES TO AGREEMENT WITH CITY	NATURE OF AGREEMENT	PROJECT DESCRIPTION	ADDRESS	JOBS CREATED/ RETAINED
St. George Hotel L.L.C. and HRH Development, L.L.C.	Redevelopment Agreement	The restoration and adaptive re-use of the 38-story and 70 year old building at 230 North Michigan Avenue into a Hard Rock Hotel and demolition of a four-story building at 222 North Michigan and construction of a new four-story building on the site. The newly constructed building will be utilized for hotel purposes.	222-230 North Michigan	285/0

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

The Project Area has received \$ 379,727,509 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 5/11-74.4-5(d)(7)(E)

**TABLE 7(E)
DESCRIPTION OF CERTAIN EXTERNAL CONTRACTS THAT ARE RELATED TO THE AREA**

Name of Entity or Person That has Entered into a Contract with the City's Tax Increment Advisor(s) and is Receiving or has Received Payments Financed by Tax Increment Revenues from the Project Area.	Purpose of Contract	Dates and Duration of Contract	Basis for Compensation Under Contract
American Youth Hostels	TIF Benefit Analysis and Application	1998	Fixed Fee
One North Dearborn, L.L.C.	TIF Benefit Analysis	1999	Hourly
One South State St., L.L.C.	TIF Benefit Analysis	1999	Hourly

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

During 2001, no reports were submitted to the City by the Joint Review Board.

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

TABLE 7(G)
PROJECT BY PROJECT REVIEW OF PUBLIC AND PRIVATE INVESTMENT
AND RATIO OF PRIVATE TO PUBLIC INVESTMENT *

Projects Undertaken in This Redevelopment Project Area	Private Investment Undertaken		Public Investment Undertaken		Ratio Of Private/Public Investment	
	11/1/2000 to End of Reporting FY	Amount Estimated to Complete the Project	11/1/2000 to End of Reporting FY	Amount Estimated to Complete the Project	11/1/2000 to End of Reporting FY	Ratio Estimated as of Project Completion
Project 1: One South State Street, L.L.C.	n/a	\$63,415,586	n/a	\$5,500,000	n/a	12:1
Project 2: Michigan Wacker Associates, L.L.C.	n/a	\$9,200,000	n/a	\$1,500,000	n/a	6:1
Project 3: 201 North Wells Investors, L.L.C. and 201 Wells Investors, Inc.	n/a	\$38,439,149	n/a	\$7,000,000	n/a	5:1
Project 4: St. George Hotel, L.L.C. and HRH Development, L.L.C.	n/a	\$76,200,000	n/a	\$5,000,000	n/a	15:1
Total:	n/a	\$187,254,735	n/a	\$19,000,000	n/a	n/a

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TABLE 7(G) CONTINUED

Projects Estimated To Be Undertaken During 2002	Private Investment Undertaken	Public Investment Undertaken	Ratio of Private/Public Investment
Project 1: The Noble Fool Theater Company	\$1,500,000	\$1,000,000	2:1
Project 2: Dearborn Center, L.L.C.	\$327,200,000	\$10,000,000	33:1
Total:	\$328,700,000	\$11,000,000	n/a

* Each public investment amount reported is the maximum amount that could be made under the provisions of the corresponding Project/Redevelopment Agreement and may not necessarily reflect actual expenditures, if any, as reported under Sections 2 or 5 herein. The total public investment ultimately made under the Project/Redevelopment Agreement will depend upon each future occurrence of various conditions set forth in that agreement.

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

During 2001, there were no obligations issued for the Project Area.

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

During 2001, there were no obligations issued for the Project Area.

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

Please see attached.

INDEPENDENT AUDITORS' REPORT

To the Honorable Richard M. Daley, Mayor, and
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 the City of Chicago, Illinois' Central Loop Redevelopment Project (Project) as of December 31, 2001, 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 June 21, 2002.

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 of Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Allocation Redevelopment Act insofar as they relate to financial and accounting matters. However, our audit was not directed primarily toward obtaining knowledge of noncompliance with such subsection.

This report is intended solely for the information and use of the management of the City of Chicago, the Project and the State of Illinois, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

June 21, 2002

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(11) GENERAL DESCRIPTION AND MAP

The Central Loop Redevelopment Project Area is generally bounded by Wacker Drive on the north, Michigan Avenue on the east, Congress Parkway on the south, and Dearborn, LaSalle, and North Franklin Streets 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.

