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**1998 Annual Report**

**Edgewater  
Redevelopment Project Area**



**Pursuant to Mayor's  
Executive Order 97-2**

*JUNE 30, 1999*

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City of Chicago  
Richard M. Daley, Mayor

Department of Planning  
and Development

Christopher R. Hill  
Commissioner

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Chicago, Illinois 60602  
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June 30, 1999

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

Ladies and Gentlemen:

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

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

Sincerely,

Christopher R. Hill  
Commissioner  
Department of Planning and Development

Walter K. Knorr  
Chief Financial Officer



June 30, 1999

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

Commissioner Hill:

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

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

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

Very truly yours,

*Ernst & Young LLP*

Ernst & Young LLP

# Edgewater Redevelopment Project Area 1998 Annual Report

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## **Edgewater Redevelopment Project Area 1998 Annual Report**

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### **Purpose of Report:**

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

### **Methodology:**

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

#### **(a) General Description**

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

#### **(b) Date of Designation and Termination**

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

#### **(c) Copy of Redevelopment Plan**

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

## **Edgewater Redevelopment Project Area 1998 Annual Report**

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### **(d) Description of Intergovernmental and Redevelopment Agreements**

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

### **(e) Description of TIF Projects**

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

- 1) the nature of the project;
- 2) the budgeted project cost and the amount of TIF assistance allocated to the project;
- 3) the estimated timetable and a statement of any change in the estimate during the prior calendar year;
- 4) total City tax increment project expenditures during the prior calendar year and total City tax increment project expenditures to date;
- 5) a description of all TIF financing, including type, date, terms, amount, project recipient, and purpose of project financing.

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### **(f) Description of all TIF Debt Instruments**

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

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

### **(g) Description of City Contracts**

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

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

## **Edgewater Redevelopment Project Area 1998 Annual Report**

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### **(h) Summary of Private and Public Investment Activity**

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

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

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

### **(i) Description of Property Transactions**

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

- 1) every property acquisition by the City through expenditure of TIF funds, including the location, type and size of property, name of the transferor, date of transaction, the compensation paid, and a statement whether the property was acquired by purchase or by eminent domain;
- 2) every property transfer by the City as part of the redevelopment plan for the Project Area, including the location, type and size of property, name of the transferee, date of transaction, and the compensation paid;
- 3) every lease of real property to the City if the rental payments are to be made from TIF funds. Information shall include the location, type and size of property, name of lessor, date of transaction, duration of lease, purpose of rental, and the rental amount;

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

### **(j) Financial Summary Prepared by the City Comptroller**

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

- 1) the balance in the fund for the Project Area at the beginning of the prior calendar year;
- 2) cash receipts by source and transfers deposited into the fund during the prior calendar year;
- 3) transfer credits into the fund for the Project Area during the prior calendar year;
- 4) expenditures and transfers from the fund, by statutory category, for the Project Area during the prior calendar year;
- 5) the balance in the fund for the Project Area at the conclusion of the prior calendar year.

### **(k) Description of Tax Receipts and Assessment Increments**

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

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

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- 2) for a utility tax Project Area, the municipal utility tax increment and the net state utility tax increment amount deposited in the special allocation fund during the prior calendar year;
- 3) for a property tax Project Area, (A) the total initial equalized assessed value of property within the Project Area as of the date of designation of the area, and (B) the total equalized assessed value of property within the Project Area as of the most recent property tax year;
- 4) the dollar amount of property taxes on property within the Project Area attributable to the difference between items (3)(A) and (3)(B) above.

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

### **(l) Certain Contracts of TIF Consultants**

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

### **(m) Compliance Statement Prepared by an Independent Public Accountant**

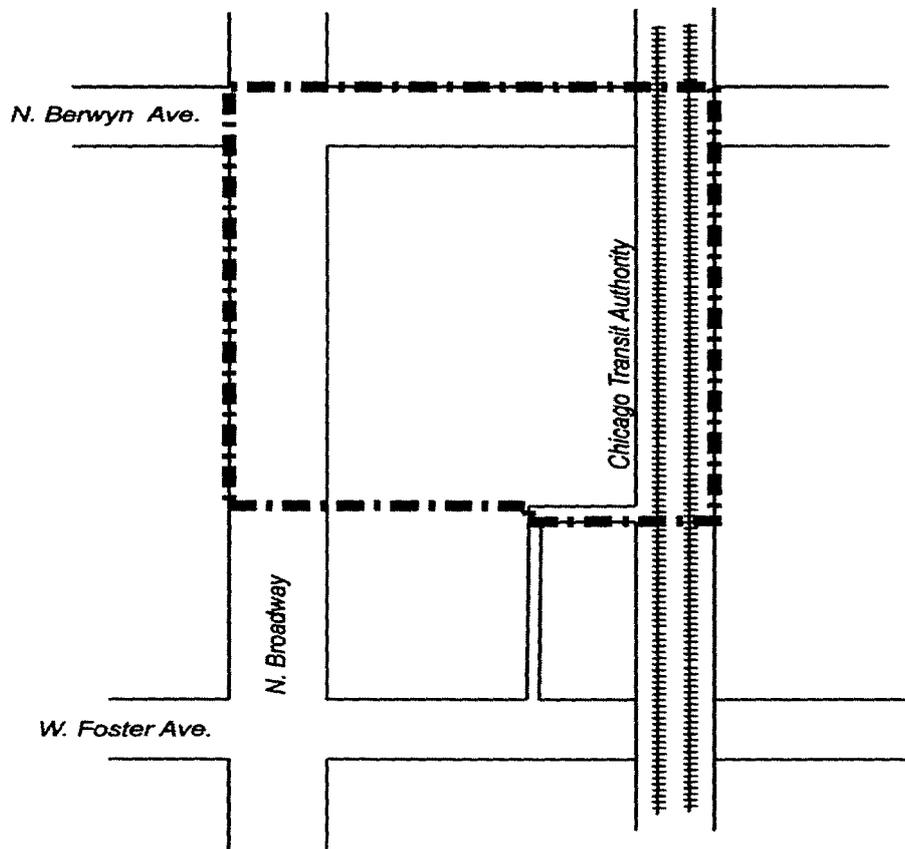
As part of the audit procedures performed by independent accountants, certain compliance tests were performed related to the Project Area. Included in the Annual Report is an audit opinion indicating compliance or non-compliance with the Illinois Tax Increment Allocation Redevelopment Act or the Illinois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

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## (a) GENERAL DESCRIPTION

The Project Area is generally bounded on the right-of-way for the Chicago Transit Authority Elevated Transit on the east, the east-west alley north of West Foster Avenue to the south, North Broadway on the west, and West Berwyn on the north. The map below illustrates the location and general boundaries of the Project Area. For precise boundaries, please consult the legal description in the Redevelopment Plan (Attachment).



## **Edgewater Redevelopment Project Area 1998 Annual Report**

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### **(b) DATE OF DESIGNATION AND TERMINATION**

The Project Area was designated by the Chicago City Council on December 18, 1986. The Project Area may be terminated no later than November 6, 2009.

### **(c) COPY OF REDEVELOPMENT PLAN**

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

### **(d) DESCRIPTION OF INTERGOVERNMENTAL AND REDEVELOPMENT AGREEMENTS**

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

**Edgewater Redevelopment Project Area  
1998 Annual Report**

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**(e) DESCRIPTION OF TIF PROJECT(S)**

During 1998, there were no tax increment project expenditures within the Project Area.

**Edgewater Redevelopment Project Area  
1998 Annual Report**

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**(f) DESCRIPTION OF TIF DEBT INSTRUMENTS**

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

**Edgewater Redevelopment Project Area  
1998 Annual Report**

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**(g) DESCRIPTION OF CITY CONTRACTS**

**TABLE G  
DESCRIPTION OF CITY CONTRACTS RELATED TO THE PROJECT AREA**

<b>CONTRACTING PARTIES WITH THE <u>CITY OF CHICAGO</u></b>	<b><u>DATE OF EXECUTION</u></b>	<b><u>PURPOSE</u></b>	<b>AMOUNT OF COMPENSATION <u>PAID IN 1998</u></b>	<b>PERCENT OF COMPENSATION <u>PAID TO DATE</u></b>
Bansley & Kiener	1998	Studies/Plan/Admin.	\$2,250	100%
Ernst & Young	1998	Studies/Plan/Admin.	\$7,692	100%
City TIF Program Administration	1998	Studies/Plan/Admin.	\$8,134	100%

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### **(h) SUMMARY OF PRIVATE AND PUBLIC INVESTMENT ACTIVITY**

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

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### **(i) DESCRIPTION OF PROPERTY TRANSACTIONS**

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

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1998 Annual Report**

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**(j) FINANCIAL SUMMARY PREPARED BY THE CITY COMPTROLLER**

CITY OF CHICAGO, ILLINOIS  
EDGEWATER REDEVELOPMENT PROJECT

FINANCIAL REPORT

DECEMBER 31, 1998 AND 1997

CITY OF CHICAGO, ILLINOIS  
EDGEWATER REDEVELOPMENT PROJECT

C O N T E N T S

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**BANSLEY AND KIENER, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

125 SOUTH WACKER DRIVE

CHICAGO, ILLINOIS 60606-4496

AREA CODE 312 263-2700

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

As explained in Note 1 to the financial statements, in 1998 the Edgewater Redevelopment Project of the City of Chicago, Illinois changed its method of accounting for investments.

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

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of cash activities on page 9 and the schedule of expenditures by statutory code on page 10, which are also the responsibility of the City of Chicago's management, are presented for purposes of additional analysis and are not a required part of the financial statements of Edgewater Redevelopment Project of the City of Chicago, Illinois. Such additional information has been subjected to the auditing procedures applied in the audits of the 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.

*Bensley and Kiener, L.L.P.*

Certified Public Accountants

May 4, 1999

CITY OF CHICAGO, ILLINOIS  
EDGEWATER REDEVELOPMENT PROJECT

BALANCE SHEETS  
DECEMBER 31, 1998 AND 1997

<u>A S S E T S</u>	<u>1998</u>	<u>1997</u>
Cash and investments	\$ 937,402	\$ 806,045
Property taxes receivable	276,584	276,000
Sales taxes receivable	20,210	19,058
Accrued interest receivable	<u>4,728</u>	<u>9,931</u>
Total assets	<u>\$1,238,924</u>	<u>\$1,111,034</u>
 <u>LIABILITIES AND FUND BALANCE</u> 		
Due to other City funds	\$ 8,134	\$ 8,422
Deferred revenue	<u>276,584</u>	<u>276,000</u>
Total liabilities	284,718	284,422
Fund balance	<u>954,206</u>	<u>826,612</u>
Total liabilities and fund balance	<u>\$1,238,924</u>	<u>\$1,111,034</u>

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

CITY OF CHICAGO, ILLINOIS  
EDGEWATER REDEVELOPMENT PROJECT

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

	<u>1998</u>	<u>1997</u>
Revenues		
Property tax	\$ 240,279	\$ 256,051
Sales tax	133,002	138,118
Interest	<u>69,482</u>	<u>81,083</u>
Total revenues	442,763	475,252
Expenditures		
Capital projects	<u>18,076</u>	<u>10,612</u>
Revenues over expenditures	424,687	464,640
Other financing uses		
Operating transfers out (Note 2)	<u>(297,093)</u>	<u>(1,359,557)</u>
Revenues over (under) expenditures and other financing uses	127,594	(894,917)
Fund balance, beginning of year	<u>826,612</u>	<u>1,721,529</u>
Fund balance, end of year	<u>\$ 954,206</u>	<u>\$ 826,612</u>

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

CITY OF CHICAGO, ILLINOIS  
EDGEWATER REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Description of Project

The Edgewater Tax Increment Redevelopment Project Area (Project) was established in December 1986. 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. The City issued \$1,100,000 Edgewater Tax Increment Revenue Notes, Series 1990 to finance \$745,100 of eligible costs related to the Project. The notes were retired December 1, 1991.

Basis of Accounting

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

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

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

Management's Use of Estimates

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

CITY OF CHICAGO, ILLINOIS  
EDGEWATER REDEVELOPMENT PROJECT

NOTES TO 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

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

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

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

Property Taxes

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

Note 2 - Operating Transfers Out

During 1998 and 1997, in accordance with state statutes, the Project transferred \$297,093 and \$1,359,557, respectively, to the contiguous Bryn Mawr-Broadway Redevelopment Project for the payment of project costs and debt service.

REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)

## YEAR 2000 READINESS DISCLOSURE (UNAUDITED)

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

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

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

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

**Remediation Stage** - Making changes to systems and equipment.

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

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

### **Mission Critical Applications**

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

### **Embedded Systems**

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

YEAR 2000 READINESS DISCLOSURE (UNAUDITED)  
(Continued)

**Other Considerations**

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

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

SUPPLEMENTARY INFORMATION

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

	<u>1998</u>	<u>1997</u>
Cash flows from operating activities		
Property taxes received	\$ 240,279	\$ 144,042
Sales taxes received	131,850	256,051
Payments for capital projects	(18,364)	(2,190)
Interest received	74,685	73,923
Operating transfers out	<u>(297,093)</u>	<u>(1,359,557)</u>
Increase (decrease) in cash and investments	131,357	(887,731)
Cash and investments, beginning of year	<u>806,045</u>	<u>1,693,776</u>
Cash and investments, end of year	<u>\$ 937,402</u>	<u>\$ 806,045</u>
Reconciliation of revenues over (under) expenditures and other financing uses to net cash provided by (used in) operating activities		
Revenues over (under) expenditures and other financing uses	\$ 127,594	\$ (894,917)
Adjustments to reconcile revenues over (under) expenditures and other financing uses to net cash provided by (used in) operating activities		
Changes in assets - (increase) decrease		
Property tax receivable	(584)	(25,501)
Sales taxes receivable	(1,152)	5,924
Accrued interest receivable	5,203	(7,160)
Changes in liabilities - increase (decrease)		
Due to other City funds	(288)	8,422
Deferred revenue	<u>584</u>	<u>25,501</u>
	<u>\$ 131,357</u>	<u>\$ (887,731)</u>

SCHEDULE OF EXPENDITURES BY STATUTORY CODE

<u>Code Description</u>	<u>1998</u>	<u>1997</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, and marketing	<u>\$18,076</u>	<u>\$10,612</u>

**Edgewater Redevelopment Project Area  
1998 Annual Report**

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**(k) DESCRIPTION OF TAX RECEIPTS AND ASSESSMENT INCREMENTS**

**TABLE K  
DESCRIPTION OF TAX RECEIPTS AND ASSESSMENT INCREMENTS**

<u>YEAR</u>	<u>MUNICIPAL SALES TAX INCREMENT</u>	<u>STATE SALES TAX INCREMENT</u>	<u>MUNICIPAL UTILITY TAX INCREMENT</u>	<u>NET STATE UTILITY TAX INCREMENT</u>	<u>INITIAL EAV</u>	<u>TOTAL 1997 EAV</u>	<u>TOTAL INCREMENTAL PROPERTY TAXES 1997</u>
1998	\$56,814	\$75,035	N.A. (1)	N.A. (1)	\$479,172	\$3,196,340	\$240,279

(1) N.A. - not applicable.

**Edgewater Redevelopment Project Area  
1998 Annual Report**

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**(I) CERTAIN CONTRACTS OF TIF CONSULTANTS**

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

**Edgewater Redevelopment Project Area  
1998 Annual Report**

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**(m) COMPLIANCE STATEMENT PREPARED BY AN INDEPENDENT PUBLIC  
ACCOUNTANT**

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

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

*Established 1922*

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

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INDEPENDENT AUDITOR'S REPORT

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

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

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

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

*Bansley and Kiener, L.L.P.*

Certified Public Accountants

May 4, 1999

**Edgewater Redevelopment Project Area  
1998 Annual Report**

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**ATTACHMENT  
REDEVELOPMENT PLAN**

EDGEWATER REDEVELOPMENT AREA  
REDEVELOPMENT PLAN AND PROJECT  
CHICAGO, ILLINOIS

OCTOBER 1986

LETTER OF TRANSMITTAL

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## INTRODUCTION

The City of Chicago has a large and complex economic base. One of the greatest challenges in planning for the growth and expansion of the City's economic base is to maintain a balance between neighborhood and downtown development. Economic forces are polarizing business opportunities in suburban and downtown locations. Neighborhood business districts have fallen prey to the convenience of suburban shopping malls and the draw of specialty retail, entertainment and service opportunities located downtown.

The City of Chicago has recognized the challenges of neighborhood economic development through a variety of planning and economic development policies and programs. The City is beginning the process of revitalizing Chicago's neighborhood economies. The adoption of the Edgewater Redevelopment Area Redevelopment Plan and Project is a logical and consistent step toward revitalizing the economic base of the Edgewater area.

The Redevelopment Plan is designed to improve an underutilized area located at the southeast quadrant of the intersection of North Broadway and West Berwyn Avenue. The Plan allows for redevelopment of the 4.0-acre Edgewater Redevelopment Area. A specific development proposal is included in this Plan for the construction of a community shopping center.

The site of the proposed shopping center development consists primarily of a one-story commercial building, which at one time was a bowling alley, but which has declined over the years. The site now consists basically of a vacant, older structure badly in need of repairs and/or demolition. Previous owners attempted to market the property in a manner consistent with its previous use; however, those efforts proved to be unsuccessful, and the generally deteriorated qualities of the building and surrounding land are worsening. Also located on the site is a small strip center in poorer condition and of older age than neighboring off-site land uses. In addition to the impact of the unsightliness and unproductiveness of the Redevelopment Area on the neighborhood and its residents, the site is also an unproductive revenue drain for the entire City of Chicago. Therefore, redevelopment of a viable project on this site would introduce a productive element back into the neighborhood and also provide an additional incentive toward future redevelopment of the area in general.

Specifically, redevelopment of the site would include an approximately 53,000-square-foot retail commercial center. The center would consist of a one-story, multi-tenant structure, several freestanding buildings and off-street parking. The center is planned to accommodate both nationally and locally based tenants and would stem the flow of City shoppers to the suburbs for quality and price-conscious merchandise. This project is also vital since

it is directly in an area in need of retail shopping. It would also provide an incentive for national businesses to locate in this area instead of going to the suburbs. If successful, this project would create a snowball effect whereby additional private funds would be invested in the community, and redevelopment would be advanced in what would otherwise have been a stagnating, unproductive location.

#### EDGEWATER REDEVELOPMENT AREA DESCRIPTION

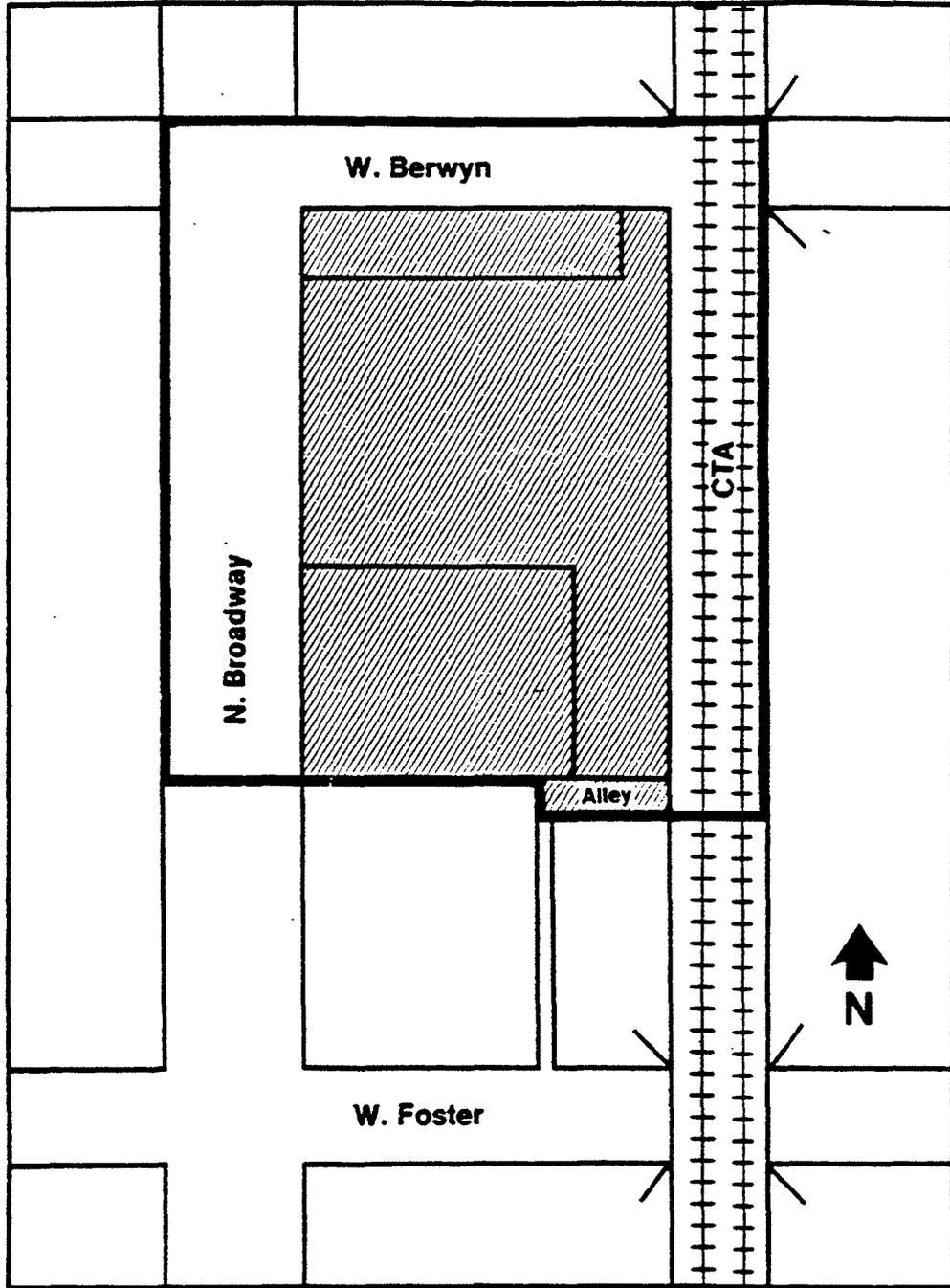
The Edgewater Redevelopment Area is the aggregate of approximately four acres. The Redevelopment Area and its existing land uses are shown on the following page as Figure 1 and is legally described in Appendix A. It includes only those contiguous parcels of real property and improvements thereon which will be benefited substantially by the proposed redevelopment project.

The Redevelopment Project Area, located on the north side for the City of Chicago, is bounded by the easterly line of the right-of-way for the Chicago Transit Authority Elevated Transit on the east, the the northerly property line of an automobile sales and service facility on the south, the westerly line of North Broadway Street on the west, and by the northerly line of West Berwyn Street on the north. The Edgewater Redevelopment Area is in a predominantly dense portion of the City, characterized primarily by commercial uses, surrounded by residential uses.

FIGURE 1

# EDGEWATER REDEVELOPMENT AREA

## Existing and Future Land Use



**KEY**

-  Redevelopment Area
-  Project Site
- Existing and Future Commercial Land Use

POLICY FOUNDATION

The Redevelopment Plan conforms to the comprehensive plan for the development of the City of Chicago as a whole. Further, these purposes are consistent with and are pursuant to implementation of general municipal development objectives and policies contained in plans previously stated by the City of Chicago, including the following:

1. The Comprehensive Plan of Chicago: the Improvement Plan for Business, December 1966.
2. The Comprehensive Plan of Chicago: North Development Area, January 1967.
3. Chicago Development Plan, Chicago Works Together, May 1984.

Pertinent objectives from the above three major policy statements include the following (the number in parentheses following each specific pertinent objective refers to the plan from which it is excerpted):

1. Provide adequate parking and attractive settings. (1)
2. Improve business centers in older parts of the City. (1)
3. Private initiative supported by public actions will be the important component in business improvements. (1)
4. ~~Improve business~~ centers in conjunction with major rebuilding programs. (1)
5. Consolidate strip commercial development. (1)
6. Provide needed shops and services for Chicago residents. (1)

7. Pursue projects which would compete effectively with suburban centers. (1)
8. Give priority (of treatment) to centers which face competition from suburban centers. (1)
9. To maintain a high quality of development to preserve current environmental assets, conservation programs should be established throughout the community. (2)
10. Improvements along present rapid transit rights-of-way are suggested. (2)
11. An emphasis on strengthening Chicago's tax base is fundamental to virtually every City development project which seeks to maintain or expand Chicago's business community and to create job opportunities for City residents. (3)
12. Many Chicago neighborhoods that have suffered disinvestment in the past should be emphasized for new investment over those neighborhoods with extensive and solvent private investment. (3)
13. A call for balanced growth as a key to economic development means the vigorous pursuit of development opportunities in both the downtown and the neighborhoods, and across the City's economic sectors. (3)

#### REDEVELOPMENT PLAN GOALS AND OBJECTIVES

The purpose of the Redevelopment Plan is to stimulate growth in the form of investment in new development and reinvestment in facilities that are as essential in the neighboring business district, as it is to the entire City. Redevelopment and conservation efforts in the Redevelopment Area would strengthen the entire City through environmental improvements and an increased tax base, and would provide additional employment opportunities. It would

encourage citizens and government to work together to address and solve the problems of urban growth and development. A joint venture between the City and the private sector for the redevelopment of the Edgewater Redevelopment Area would receive significant support from the business community.

General Goals

- A. Improve the quality of life in Chicago by eliminating the influences of both physical and economic blight in the Redevelopment Area.
- B. Enhance the marketability of vacant and other underutilized properties by encouraging private investments which strengthen the community's economy, tax base, business environment and living environment.
- C. Develop and create an attractive blend of retail and restaurant space with related uses.
- D. Provide adequate and accessible on-site parking and good traffic flow.
- E. Provide sound economic development in the Redevelopment Area while generating needed sales and real estate tax revenues.
- F. Provide new employment opportunities for minorities and women.

Redevelopment Objectives

- A. Enhance the tax base of the City of Chicago and of other taxing districts which extend to the Redevelopment Area by encouraging private investment and commercial development.
- B. Provide public improvements which include utilities, parking, public open space, sidewalks, streetscapes, etc.

- C. Eliminate blight conditions within the Redevelopment Area.
- D. Enhance the value of properties within both the Redevelopment Area and the general business district.
- E. Provide a net benefit to the City consisting of jobs and tax revenues.
- F. Provide needed incentives to encourage a broad range of improvements in the development of the Redevelopment Area.

EDGEWATER REDEVELOPMENT AREA ELIGIBILITY

The Tax Increment Allocation and Redevelopment Act (Act) allows municipalities to improve eligible "blighted" or "conservation" areas in accordance with an adopted redevelopment plan. The Act defines specific criteria for determining the eligibility of an area for redevelopment.

A redevelopment project area is:

"An area designated by the municipality, which is not less in the aggregate than 1-1/2 acres and in respect to which the municipality has made a finding that there exist conditions which cause the area to be classified as a blighted area or a conservation area, or a combination of both blighted and conservation areas."

According to the Act, a conservation area is:

"Any improved area within the boundaries of a redevelopment project area located within the territorial limits of the municipality in which 50% or more of the structures in the area have an age of 35 years or more. Such an area is not yet a blighted area but because of a combination of 3 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, is detrimental to the public safety, health, morals or welfare and such an area may become a blighted area."

According to the Act, a blighted improved area is:

"Any improved ... area within the boundaries of a redevelopment project area located within the territorial limits of the municipality where, if improved, industrial, commercial and residential buildings or improvements, because of a combination of five or more of the following factors: age; dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; 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 is detrimental to the public safety, health, morals or welfare ...."

To determine eligibility, a field survey of the study area was conducted together with further research into building age, performance and condition. The discussion below presents an analysis of site and building conditions that relate to the criteria established for designating a redevelopment project area. Relevant characteristics of the subject property are as follows:

- Size - The Redevelopment Area is approximately four acres in size, which exceeds the minimum requirement for a redevelopment project area.
- Age of structures - All of the structures in the Redevelopment Area were constructed before 1950, and are more than 35 years of age.

- Deterioration and Dilapidation - None of the buildings was found to exhibit severe dilapidation. The physical condition of the former commercial building is deteriorating. The roof leaks in numerous places, which has caused water damage to the interior ceiling and floors. The structure of the external walls is such that they require braces.
- Obsolescence - The buildings on the site are economically and functionally obsolete in terms of current standards for community retail development. The former commercial facility is only 30,000 square feet, which is too small for a full-line food store in a competitive marketplace. Most neighborhood food stores require between 50,000 and 80,000 square feet. The configuration of the facilities on the site inhibits interaction between the small retail shops and the former commercial facility. Multi-purpose shopping trips are discouraged, which limits the market potential of all existing businesses. Deliveries to the strip of shops on Berwyn is made through the various shops' front doors because of a southern zero lot line bordering the commercial facility's parking lot.
- Excessive Vacancies - The former commercial facility is vacant, while the strip of retail shops is occupied. The former commercial building represents 67% of the total building space in the Redevelopment Area.
- Depreciation of Physical Maintenance - The Redevelopment Area is beginning to exhibit signs of neglect from lack of use. The former commercial facility has been defaced by graffiti. The southeastern portion of the site behind the former commercial facility is being illegally used as a dump for various types of waste material. The interior of the former commercial facility is damaged by water leaking from the roof. The strip retail stores have relatively well-maintained facades although the rear of the building is unsightly and overgrown with weeds, etc.
- Deleterious Land Uses and Layout - The land-use pattern in the Redevelopment Area limits the development potential of the property. The placement of the former commercial facility with respect to the strip retail stores inhibits rather than encourages interaction. Thus, customers are either less likely to shop at this site or may not purchase as many goods or services here, which reduces state and local sales tax revenue from the property. Moreover, the layout of the subject property bears no logical relationship to other retail developments across Berwyn and Broadway from the site. If this area is to be a viable retail center, it must achieve the necessary critical mass of facilities which in turn requires an integrated land-use plan.

All the structures in the Redevelopment Area were constructed prior to 1950. Other deficiencies and obstacles to private development include: excessive vacancies (67% of total building space); obsolescence; deterioration; depreciation of physical maintenance and deleterious land use. The redevelopment of the area offers an important opportunity to improve the subject property and strengthen the emerging retail center at Berwyn and Broadway. Thus, the survey results indicate that the Edgewater Redevelopment Area qualifies as a "blighted" or "conservation area" under the Statutory criteria for such classifications.

In terms of existing deficiencies and obstacles to redevelopment, the Edgewater Redevelopment Area is eligible for utilization under the provisions of the Act. The Edgewater Redevelopment Area on the whole has not been subject to healthy growth and development through investment by private enterprise, and would not reasonably be anticipated to be developed without the adoption of the Redevelopment Plan. Vacancies, abandoned buildings, obsolescence, depreciation of physical maintenance, and deleterious layout are all evidence of this situation. Lack of community planning and structural deterioration create obstacles which impede development through normal private actions.

REDEVELOPMENT PLAN

Pursuant to the preceding redevelopment goals and objectives, a coordinated Redevelopment Plan would be implemented to upgrade, revitalize and best utilize the Redevelopment Area site. The primary means to this end would be a redevelopment of the Redevelopment Area site into a neighborhood retail shopping center. The Edgewater Community Council has expressed an opinion that the overall viability of the West Berwyn Avenue and North Broadway intersection as a retail location would be improved with the Redevelopment Plan coming to fruition. A certain critical mass of retail shopping activity would then be had, with all corners of the intersection being potentially more economically successful than any one is at present.

Development Strategies

The principal existing development strategy under the Redevelopment Plan is to encourage and make possible the development of a shopping center at the southeast quadrant of Berwyn Avenue and Broadway. The former commercial building will be rehabilitated. All of the existing old strip center, except Stanley's Lounge, would be demolished. Stanley's Lounge would remain, but would be totally rehabilitated. A detailed listing of the uses planned for the Redevelopment Area is as follows:

- An approximately 53,000-square-foot, one-story, multi-tenant retail mall.
- Two freestanding outlot pads to feature restaurant and other related uses.
- Off-street parking.

The City of Chicago will provide improvements necessary for the success of the Redevelopment Plan needed for the enhancement of the City as a whole, and to more closely meet the needs of the specific area's residents. Appropriate public improvements would include, at minimum, the following:

- Site preparation
- Upgrading of water lines, storm drains and sewers in the streets surrounding the site
- Installing new sidewalks
- Installing new lighting and landscaping

The cost of these improvements is estimated in the schedule, Estimated Project Redevelopment Costs, in Exhibit 1, on page 17, and will be described in a subsequent section.

The retail center would feature both nationally and locally based tenants. The center's store mix and marketing strategy are designed to complement the area's existing retail businesses by providing a more diverse critical mass of retail uses, as well as reversing the loss of retail expenditures from the neighborhood.

Relocation

In order to facilitate the redevelopment of the Edgewater Shopping Center, existing business tenants in the site's occupied buildings would have to be relocated. The costs of relocation in the form of either relocation advice or financial assistance would be supported by tax increment funds.

Land Use Plan

The existing zoning classification in effect for the Redevelopment Area should remain and govern during and following redevelopment. It is the intent of the plan to encourage general commercial land uses in the Redevelopment Area, as shown in Figure 1 on page 4. The following are the characteristics of the future land use plan and which the City desires in the Redevelopment Area:

- Retail Uses - Retail uses should be developed in order to make the Redevelopment Area one of the preferred shopping center destinations in the City. Prospective tenants include automotive parts and furniture, drugstores as anchor tenants, with ancillary, multi-tenant retail space.
- Restaurant Uses - Restaurant uses would be permitted throughout the Redevelopment Area.
- Parking Uses - Full realization of economic development potential of the Redevelopment Area is directly related to the availability of sufficient automobile parking that is conveniently located together with appropriate pedestrian linkages and amenities to allow and encourage patrons to combine their errands into a one-stop, multi-purpose trip.

Development Design Objectives

The land use plan for the Edgewater Redevelopment Area is designed to better utilize the general land-use relationships within the area. Building placements on the site are designed to encourage interaction between all stores, including those within the Redevelopment Area, as well as others nearby. Such building orientations should serve to create strong retail demand for multi-purpose trips.

Architectural and design standards would meet or exceed City requirements.

Estimated Project Development Costs

The Redevelopment Plan required for tax increment financing must include a description of all costs pertaining to the redevelopment project. These project costs include all reasonable or necessary expenses incurred or estimated to be incurred in connection with a redevelopment plan and project. For example, these costs may be:

1. Costs of studies, surveys, development of plans and specifications, implementation and administration of the redevelopment plan including, but not limited to, staff and professional service costs for architectural, engineering, legal, marketing, financial, planning or other services.
2. Building acquisition, including demolition of buildings, removal of debris and site grading.

3. Costs of removing and constructing or repairing of on- or off-site public improvements, such as roads, curbs, signs, sidewalks, utilities and landscaping.
4. Financing costs, including, but not limited to, all necessary and incidental expenses related to the issuance of obligations and which may include payment of interest on any obligations issued hereunder accruing during the estimated period of construction of any redevelopment project for which such obligations are issued and for not exceeding 16 months thereafter and including reasonable reserves related thereto.
5. Costs for relocating tenants from structures that will be demolished.

The estimated costs associated with the development of the Edgewater Plaza Shopping Center are presented in Exhibit 1 on the following page.

#### Sources of Funds

Although other sources of funds which become available are not to be excluded, the only source presently contemplated for funding the redevelopment project costs described above is tax increment financing (T.I.F.). The revenue to support a T.I.F. bond issue will be derived from the incremental real estate taxes and the sales tax revenue generated by the new development in the designated redevelopment area.

The sales tax revenue was estimated by identifying a probable retail mix of the shopping center and applying a sales volume figure for each retail use (see Appendix B). It is not possible to determine existing sales tax revenue in the Redevelopment Area.

**EXHIBIT 1  
EDGEWATER SHOPPING CENTER  
ESTIMATED PROJECT REDEVELOPMENT COSTS  
ELIGIBLE FOR TAX INCREMENT FINANCING**

ITEMS -----	ESTIMATED COSTS (1) -----
Building Acquisition	\$925,000
Public Improvements	252,000
Site Preparation	601,000
Building Rehabilitation	400,300
Tenant Relocation	300,000
Architect & Engineer	100,000
Other Professional Fees	195,000
City Administration Expenses	100,000
Financing Expenses	622,500
TOTAL	----- \$3,495,800

(1) The cost figures presented above are intended to provide an estimate as to project costs. Line item amounts may vary and amounts shown may be shifted from one category to another.

Source: First National Realty & Development Company, Inc.

Thus, all eligible tax revenue derived from sales at the shopping center are assumed to be available for the tax increment allocation. The following five retail sales taxes are included in the increment allocation:

- Municipal Retailer Occupation Tax
- Service Occupation Tax
- Retailer Occupation Tax
- Use Tax
- Service Use Tax

As shown in the following table, the last current 1985 equalized assessed valuation and property tax revenue for the Redevelopment Area are approximately \$479,200 and \$46,600, respectively:

EDGEWATER REDEVELOPMENT AREA  
1985 EQUALIZED ASSESSED VALUATION AND  
REAL PROPERTY TAXES

<u>PIN number</u>	<u>Equalized assessed valuation</u>	<u>Real property taxes</u>
14-08-210-001	\$145,270	\$14,119
-002	132,693	12,896
-020	39,035	3,794
-021	162,174	15,762
-022	<u>Exempt</u>	
Total	<u>\$479,172</u>	<u>\$46,571</u>

Source: Cook County Assessor's Office.

The prospective estimate of equalized assessed valuation of the Redevelopment Area after redevelopment is approximately \$1,673,200 during the development's first full year of operation (see Appendix B).

The total amount of sales tax and real estate tax revenue available to service the tax increment bonds is estimated in Appendix B and shown on the following page as Exhibit 2. The sales tax revenue will be used exclusively for the redevelopment of the Edgewater Plaza Shopping Center. The Redevelopment Area would not reasonably be developed without the use of such incremental revenues. Any excess tax revenue not required for payment of the bond debt service may be used for early repayment of debt or be distributed to the public taxing entities.

#### Nature and Term of Obligations to be Issued

Tax increment revenue obligations may be issued pursuant to the Act for a term not to exceed 20 years. All obligations are to be covered after issuance by estimated and actual tax increment revenues and by such debt service reserves and sinking funds as may be provided by ordinance. The terms and conditions of the obligations will depend upon many factors, including recent financial market conditions and its perceived level of risk in the real estate project. Revenues not required for the retirement of obligations, providing for reserves, sinking funds and payment of redevelopment

**EXHIBIT 2  
EDGEWATER SHOPPING CENTER  
ANALYSIS OF INCREMENTAL TAX REVENUE**

	INCREMENTAL REAL ESTATE TAX REVENUE (1)	INCREMENTAL SALES TAX REVENUE (1)	TOTAL T.I.F. REVENUE
	-----	-----	-----
1987	0	0	0
1988	77,000	256,428	333,428
1989	137,000	807,070	944,070
1990	146,400	847,423	993,823
1991	156,300	889,794	1,046,094
1992	166,700	934,285	1,100,985
1993	175,035	980,999	1,156,034
1994	183,787	1,030,049	1,213,836
1995	192,976	1,081,551	1,274,527
1996	202,625	1,135,629	1,338,254
1997	212,756	1,192,410	1,405,166
1998	223,394	1,252,031	1,475,425
1999	234,564	1,314,633	1,549,197
2000	246,292	1,380,365	1,626,657
2001	258,606	1,449,383	1,707,989
2002	271,537	1,521,852	1,793,389
2003	285,114	1,597,945	1,883,059
2004	299,369	1,677,842	1,977,211
2005	314,338	1,761,734	2,076,072
2006	330,055	1,849,821	2,179,876

(1) There is a one year lag between the accrued incremental real estate and sales tax revenue shown in Appendix B, Exhibits B and C, and when the revenues become available to service obligations, as shown above.

(2) A 5% annual inflation rate is assumed.

Source: Laventhol & Horwath, See appendix B for explanation.

project costs are to be declared surplus and become available for distribution annually to the taxing districts in the redevelopment area in the manner provided by Statute. Such securities may be issued on either a taxable or tax-exempt basis, with either fixed rate or floating interest rates; with or without floating interest rates, with or without capitalized interest, with or without interest rate limits, and with or without redemption provisions.

Provisions for Amendment

The Redevelopment Plan and Project may be amended in accordance with the terms of the Act.

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

The redevelopment of the Edgewater Redevelopment Area will be completed and all obligations issued to finance redevelopment project costs will be retired no later than December 1, 2009. Pursuant to this plan, the bonds will mature no later than 23 years from the adoption of the ordinance approving the redevelopment of the Edgewater Redevelopment Project Area. Construction activities for the proposed community shopping center are expected to be completed in four years. Obligations may be retired within less than ten years, depending on the incremental real property and sales tax yield.

APPENDIX A

LEGAL DESCRIPTION OF REDEVELOPMENT AREA

PARCEL I

LOTS 19, 20 AND 21 AND THE SOUTH 4 FEET OF LOT 22 IN BLOCK 10 IN JOHN LEWIS COCHRAN'S SUBDIVISION OF THE WEST HALF OF THE NORTHEAST QUARTER OF SECTION 8, TOWNSHIP 40 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL II

LOTS 22 TO 25 EXCEPT THE SOUTH 4 FEET OF LOT 22 AND EXCEPT THE NORTH 3 FEET OF LOT 25 IN BLOCK 10 IN JOHN LEWIS COCHRAN'S SUBDIVISION OF THE WEST HALF OF THE NORTHEAST QUARTER; ALSO THAT PART OF THE VACATED ALLEY IN SAID BLOCK 10, LYING NORTH OF LOT 22 IN SAID BLOCK 10 AND EAST OF LOTS 23, 24 AND THE SOUTH 47 FEET OF LOT 25 IN SAID BLOCK 10; ALSO LOT 27, EXCEPT THE NORTH 53 FEET THEREOF, IN BLOCK 10 OF J. L. COCHRAN'S SUBDIVISION OF THE WEST HALF OF THE NORTHEAST QUARTER; ALSO LOT 28, EXCEPT THE NORTH 53 FEET AND THE EAST 20 FEET THEREOF, IN BLOCK 10 IN JOHN LEWIS COCHRAN'S SUBDIVISION OF THE WEST HALF OF THE NORTHEAST QUARTER, ALL IN SECTION 8, TOWNSHIP 40 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL III

LOT 26 AND THE NORTH 3 FEET OF LOT 25 AND THE NORTH 53 FEET OF VACATED ALLEY BETWEEN LOTS 25, 26 AND 27 AND THE NORTH 53 FEET OF LOTS 27 AND 28 ALL IN BLOCK 10 IN COCHRAN'S SUBDIVISION OF THE WEST HALF OF THE NORTH EAST QUARTER OF SECTION 8, TOWNSHIP 40 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL IV

ANY CONTIGUOUS ALLEYS, STREETS AND PUBLIC RIGHTS-OF-WAY INCLUDING, BUT NOT LIMITED TO CONTIGUOUS LAND WHICH FALLS WITHIN NORTH BROADWAY STREET, CONTIGUOUS LAND WHICH FALLS WITHIN WEST BERWYN STREET, AND THE LAND WHICH IS CONTIGUOUS TO THE ABOVE DESCRIBED LAND AND WHICH FALLS WITHIN THE RIGHT-OF-WAY LINE FOR THE ELEVATED TRAIN LINES DIRECTLY TO THE EAST OF THE SAID LAND, INCLUDING THE INTERSECTION OF NORTH BROADWAY AND WEST BERWYN STREET AND THE INTERSECTION OF SAID RIGHT-OF-WAY AND WEST BERWYN STREET.

APPENDIX B

ESTIMATED SALES AND REAL ESTATE TAX REVENUES  
AVAILABLE FOR TAX INCREMENT FINANCING

This Appendix describes the methodology used in estimating future sales and real estate tax revenues for the Edgewater Plaza Shopping Center.

The sales tax revenue was estimated by identifying a probable retail mix of the shopping center and applying a sales volume figure for each retail use from an industry publication entitled "Dollars and Cents of Shopping Centers", published by the International Council of Shopping Centers. Future sales volumes assume no real growth above an estimated inflation rate of 5% annually; see Exhibits A and B at the end of this Appendix.

The estimated equalized assessed valuation of the Edgewater Plaza Shopping Center after redevelopment was estimated on the basis of the planned new construction. The Edgewater Plaza Shopping Center is estimated to generate an equalized assessed valuation of \$1,673,200, representing a net increase of \$1,194,000 over the present. This equalized assessed valuation assumes the current 40% assessment ratio for commercial property in Cook County and a state multiplier of 1.8085. The market value for the land and construction cost for the proposed shopping center totals approximately \$2.3 million.

Future real property taxes generated by the shopping center are expected to be in the range of \$188,300 during the center's first full year of operation (Exhibit C to this Appendix). This tax revenue is estimated by applying the 1985 property tax rate in the City of Chicago (\$9.719 per \$100 of assessed value) against the estimated equalized assessed value of the proposed redevelopment and inflating this base tax levy by 5% per year. The real property tax increment that is available to support the T.I.F. bonds is shown in Exhibit C to this Appendix.

**APPENDIX B**  
**EXHIBIT A**  
**EDGEWATER SHOPPING CENTER**  
**ESTIMATED ANNUAL SALES VOLUME PER SQUARE FOOT**  
**FOR THE FIRST TWO YEARS**

	STORE TYPE (1)	SQUARE FEET (1)	ANNUAL SALES VOLUME PER SQUARE FOOT (2)	
			1987	1988
TENANT A	Small	5,800	225	236
TENANT B	Fast food	2,886	380	399
TENANT C-1	Drug	13,800	265	278
TENANT C-2	Auto Parts	5,040	220	231
TENANT C-3	Small	11,160	225	236
TENANT D	Small	16,000	225	236
TOTAL		54,686		

(1) Store mix and store size information was provided by First National Realty.

(2) Sales volumes are based on an industry trade publication, "Dollars and Cents of Shopping Centers", which provides sales statistics by shopping center size and store type. A five percent inflation rate is assumed for the annual sales estimates after 1987. There are only four months of operation in 1987.

**APPENDIX B**  
**EXHIBIT B**  
**EDGEWATER SHOPPING CENTER**  
**ESTIMATED SALES VOLUME AND SALES TAX REVENUE FOR**  
**TAX INCREMENT FINANCING**

	1987	1988	1989	1990	1991
Tenant A	435,000	1,368,800	1,437,240	1,509,102	1,584,557
Tenant B	365,560	1,151,514	1,209,090	1,269,544	1,333,021
Tenant C-1	1,219,000	3,836,400	4,028,220	4,229,631	4,441,113
Tenant C-2	369,600	1,164,240	1,222,452	1,283,575	1,347,753
Tenant C-3	837,000	2,633,760	2,765,448	2,903,720	3,048,906
Tenant D	1,200,000	3,776,000	3,964,800	4,163,040	4,371,192
<b>Total Sales</b>	<b>\$4,426,160</b>	<b>\$13,930,714</b>	<b>\$14,627,250</b>	<b>\$15,358,612</b>	<b>\$16,126,543</b>
Food and Drug Sales (1)	182,850	575,460	604,233	634,445	666,167
Sales Tax Revenue at 1%	1,829	5,755	6,042	6,344	6,662
All Other Sales	4,243,310	13,355,254	14,023,017	14,724,167	15,460,376
Sales Tax Revenue at 6%	254,599	801,315	841,381	883,450	927,623
<b>Total Sales Tax Revenue (2)</b>	<b>\$256,428</b> *****	<b>\$807,070</b> *****	<b>\$847,423</b> *****	<b>\$889,794</b> *****	<b>\$934,285</b> *****

(1) This category equals 15% of sales for Tenant C-1, a drug store.

(2) The entire sales tax revenue shown above is assumed to be available for funding T.I.F. bonds.