

**TAX INCREMENT FINANCING
Ten (10) Year Status Report
2004-2012**

**PRATT/RIDGE
Industrial Park Conservation Area
Designated June 23, 2004**



November 18, 2013

Pursuant to 65 ILCS 5/11-74.6-1
(Industrial Jobs Recovery Law)

Prepared by
**CITY OF CHICAGO DEPARTMENT OF HOUSING AND ECONOMIC DEVELOPMENT
AND
S. B. FRIEDMAN & COMPANY**

TABLE OF CONTENTS

Executive Summary..... 1

1. Industrial Park Conservation Area Information 3

 Project Area Context and Background..... 3

 Conditions at Time of IPCA Creation..... 4

 Goals and Objectives for the IPCA 5

 Estimated Redevelopment Project Costs and Allocations..... 5

2. Industrial Park Conservation Area Revenues and Expenditures 7

 Growth in EAV and Revenue Generated within IPCA 7

 Transfers of IJRL Funds..... 8

 City Expenditures within the IPCA 8

 Declaration of Surplus Funds 8

3. Industrial Park Conservation Area Accomplishments 9

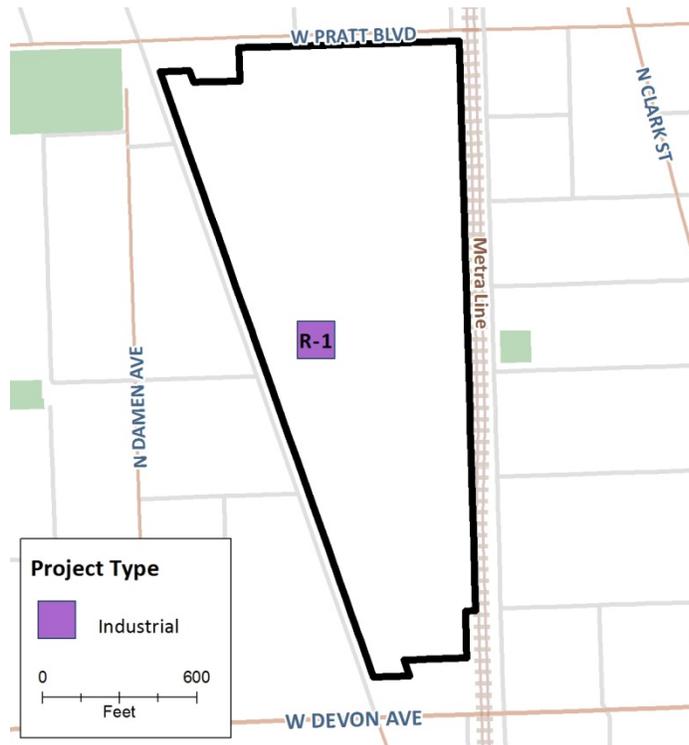
 IPCA Project Profiles – Major Accomplishments 9

 Additional Performance Metrics..... 12

 Status of Planned Activities, Goals and Objectives..... 13

 Progress toward Achieving Goals and Objectives..... 15

Executive Summary



PRATT/RIDGE INDUSTRIAL PARK CONSERVATION AREA (IPCA)

- Designated: June 23, 2004 under the Industrial Jobs Recovery Law (IJRL)
- Expires: December 31, 2028
- 42 acres
- 15 parcels at time of designation

Located on the north side of Chicago in the Rogers Park community area, the 46-acre Pratt/Ridge Industrial Park Conservation Area (“IPCA”) contains the S & C Electric Company campus, which is made up of 20 buildings, including the corporate headquarters and manufacturing facilities. The purpose of the IPCA is to enhance the area occupied by S & C Electric Company, which manufactures electrical switching and protection equipment, and is one of the north side’s largest employers. Revenue from the IPCA is intended to support planned investments at the facility. Specific projects include the creation of an advanced technology center, new manufacturing and office buildings, a parking structure, and ongoing rehabilitation of existing structures. Investments are intended to improve plant efficiency and production capacity, provide job training, and allow for environmental remediation.

Pratt/Ridge IPCA Activity 2004 - 2012

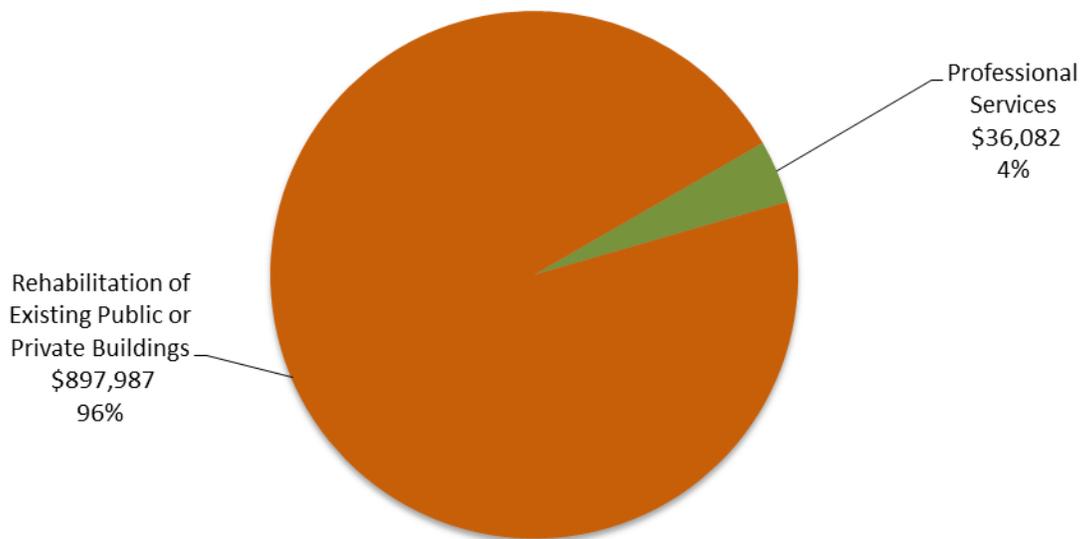
INVESTMENT SUMMARY

- \$138.2 million in total private investment
- \$39.7 million in IJRL Funds leveraged \$98.4 million in other financing

JOB CREATION

- Construction Jobs – Estimated 213 one-year full-time equivalent (“FTE”) construction jobs created
- Permanent Jobs – 1,550 FTE permanent positions created or retained

DISTRIBUTION OF TIF-ELIGIBLE EXPENDITURES THROUGH 2012 [1]



[1] Additional detail on expenditures provided in Exhibit 2.

1. Industrial Park Conservation Area Information

In July 2010, the Tax Increment Financing (“TIF”) Allocation Redevelopment Act 65 ILCS 5/11-74.4-1, et seq. (“TIF Act”) was amended to require municipalities to assemble a status report covering the history and performance of TIF districts that have been in existence for 9 to 10 years. The TIF Act requires the report to detail:

1. The amount of revenue generated within the district;
2. Expenditures made for the district, including TIF fund expenditures;
3. Status of planned activities, goals and objectives, including new and planned construction;
4. The amount of public and private investment within the TIF district; and
5. Other relevant evaluation or performance data.

The Industrial Jobs Recovery Law (IJRL) mirrors the TIF Act in many ways, and the City established several IJRL districts or areas specifically to encourage industrial job growth within those areas. The IJRL does not have a 10-year status report requirement. However, the City has chosen to prepare status reports on its IJRL districts as though they were subject to the TIF Act.

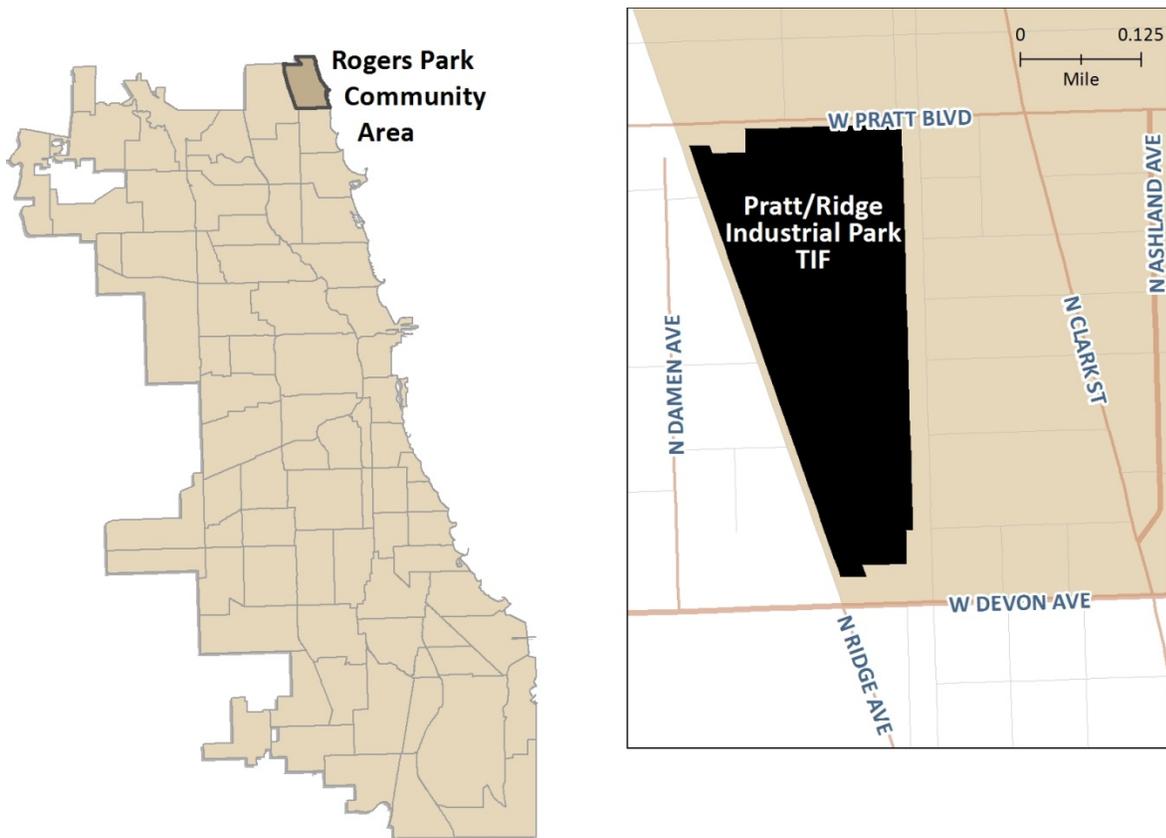
The information summarized herein is for the reporting period from the IJRL district’s inception through the end of the 2012 calendar year and the 2011 tax year.

Detailed data on the Pratt/Ridge IPCA was compiled similar to the reporting requirements under the TIF Act and is presented in this Ten (10) Year Status Report (the “Report”). The Report contains various data from City of Chicago (“City”) departments, including audited financial statements, Redevelopment Agreements, Intergovernmental Agreements, capital improvement expenditures, and TIF/IJRL-funded program databases (Small Business Improvement Fund, Neighborhood Improvement Program, and TIFWorks) to track financial and programmatic performance. Data sources are referenced throughout this Report.

Project Area Context and Background

The IPCA is located approximately 10 miles northwest of the City of Chicago’s central business district (“the Loop”) in the Rogers Park community area. The IPCA primarily encompasses the S & C Electric Company campus, and is roughly bounded by Devon Avenue to the south, Ridge Boulevard to the west, Pratt Avenue on the north, and the Chicago & North Western Railway to the east. The IPCA boundary is shown in **Exhibit 1** on the following page.

The IPCA was designated as an IJRL district on June 30, 2004, and is expected to expire no later than December 31, 2028.

Exhibit 1. Pratt/Ridge IPCA**Conditions at Time of IPCA Creation**

The Pratt/Ridge IPCA was determined to be eligible for IJRL designation as an Industrial Park Conservation Area under the Industrial Jobs Recovery Law. The Industrial Jobs Recovery Law defines an IPCA based on the following criteria:

- Be an industrially zoned area located within a labor surplus municipality¹;
- Have adequate transportation access for employees, goods and services;
- Have industrial vacant or improved land suitable for use as an industrial park and/or a research park;
- Maintain conditions that cause the area to be classified as an industrial park conservation area, a vacant industrial building conservation area, an environmentally contaminated area, or a combination of these types of areas; and
- Have an equalized assessed value (EAV) that is no more than 2 percent of the municipality's EAV.

¹ A labor surplus municipality is defined as a municipality in which the unemployment rate was over 6% prior to the ICPA's designation and was also 100% or more of the national average unemployment rate for the same time period, as defined by the United States Bureau of Labor Statistics.

At the time of its designation, the Pratt/Ridge IPCA was characterized by lack of growth through private enterprise, buildings averaging 34 years of age, lack of new construction and renovation, and challenges related to an irregularly-shaped site. Revenue from the IPCA is intended to support planned investments in the S & C Electric Company industrial campus. Specific projects include the creation of an advanced technology center, new manufacturing and office buildings, a parking structure, and ongoing rehabilitation of existing structures. Investments are intended to improve plant efficiency and production capacity, provide job training, and allow for environmental remediation.

Goals and Objectives for the IPCA

The overall goals of the IPCA are to stimulate private investment in new construction, expansion and rehabilitation of industrial properties in the IPCA, improve existing infrastructure, and provide job training for area residents.

In furtherance of these overall goals, the following seven (7) objectives were outlined in the Pratt/Ridge Industrial Park Conservation Area Redevelopment Plan and Project (the "IJRL Plan"):

1. **Provide sites which are conducive to industrial development**, through activities such as demolition, rehabilitation, etc.;
2. **Encourage the use and maintenance of industrial land;**
3. **Upgrade infrastructure throughout the IPCA;**
4. **Undertake appropriate environmental remediation measures on development sites**, according to customary procedures;
5. **Support job training programs** to provide employees living in areas surrounding the IPCA with the skills necessary to maintain jobs in the IPCA with S & C Electric Company;
6. **Repair and replace the infrastructure where needed**, including, but not limited to, roads, sidewalks, public utilities and other public infrastructure; and
7. **Promote women- and minority-owned businesses and affirmative action programs.**

Estimated Redevelopment Project Costs and Allocations

The estimated Redevelopment Project Costs outlined in the IJRL Plan total \$48 million. Through 2012, approximately \$934,000 has been expended on IJRL-supported projects within the IPCA, representing 1.9 percent of the estimated total Redevelopment Project Costs. **Exhibit 2** on the following page displays the estimated eligible costs of the IJRL Plan and the expenditures through 2012 by statutory cost category.

Exhibit 2. Total IJRL-Eligible Project Costs and Expenditures through 2012

Permissible Cost Category	Eligible Cost Description	Estimated Project Costs	Project Costs Expended Through 2012	
			Expenditures	Percent of Total
1. Professional Services	Costs of studies, surveys, administration and professional services	\$6,000,000	\$36,082	0.6%
2. Marketing of Sites	Cost of marketing sites within RPA to prospective businesses, developers, investors	N/A	\$0	N/A
3. Property Assembly & Site Preparation	Property assembly costs, including acquisition, demolition, site preparation and environmental site improvement costs	\$2,100,000	\$0	0.0%
4. Rehabilitation of Existing Public or Private Buildings	Costs of rehabilitation, reconstruction, repair or remodeling, and replacement of existing public or private buildings or fixtures	\$35,850,000	\$897,987	2.5%
5. Public Works or Improvements	Costs of construction of public works and improvements	\$250,000 [1]	\$0	0.0%
6. Environmental Contaminants Removal	Costs of eliminating or removing contaminants as required by Federal or State environmental laws and regulations	\$500,000	\$0	0
7. Job Training and Retraining	Cost of job training and retraining implemented by businesses or other taxing bodies, including “welfare-to-work” programs, advanced vocational or career education	\$3,000,000	\$0	0.0%
8. Financing Costs	Financing costs, including interest and issuance costs	[2]	\$0	N/A
9. Capital Costs	Taxing districts’ capital costs resulting from redevelopment project	[1]	\$0	N/A
10. Relocation Costs	Relocation costs	\$100,000	\$0	0.0%
11. Interest Costs	Costs of reimbursing developers for interest costs on redevelopment projects	\$100,000	\$0	0.0%
12. Payment in Lieu of Taxes	Payments in lieu of taxes	\$100,000	\$0	0.0%
TOTAL REDEVELOPMENT PROJECT COSTS [3]		\$48,000,000	\$934,069	1.9%

Source: Pratt/Ridge IPCA Plan, dated June 23, 2004 and IJRL Annual Reports: Section (2) in 2004-2009 reports; Attachment K in 2010-2012 reports.

[1] Public Works or Improvements may also include capital costs of taxing districts and other costs allowable under the Act.

[2] Total Redevelopment Costs exclude any additional financing costs, including any interest expense, capitalized interest and costs associated with issuance of obligations and optional redemptions.

[3] All costs may be increased by the rate of inflation reflected in the Consumer Price Index (CPI) for All Urban Consumers for All Items for the Chicago-Gary-Kenosha, IL-IN-WI CMSA, published by the U. S. Department of Labor.

2. Industrial Park Conservation Area Revenues and Expenditures

This chapter provides information on the incremental property tax revenue generated and associated expenditures within the IPCA from its inception through December 31, 2012. A summary of non-IJRL City funds expended in support of projects through the 2012 calendar year is also presented.

Growth in EAV and Revenue Generated within IPCA

Incremental property tax revenues are generated based on the growth in equalized assessed value (EAV) that arises during the IJRL district's existence, as compared to the initial EAV at the time of the district's original adoption. The IPCA's initial EAV as of June 23, 2004 was \$16,414,897.² As of December 31, 2012, the total taxable EAV (for tax year 2011) of the IPCA was \$21,605,145, representing growth in property value of 32 percent from the initial EAV.³

Exhibit 3. Growth in EAV: Tax Year 2002 – 2011

Tax Year	EAV	% Increase from Initial EAV
2002 - Initial EAV [1]	\$ 16,414,897	--
2011 - Current EAV	\$ 21,605,145	74%

Source: Cook County Clerk.

[1] The IPCA was designated in 2002 with initial EAV from tax year 2000.

This growth in EAV in the IPCA generated a total of \$1.6 million in incremental property tax revenue from 2004 through the end of 2012, as displayed in **Exhibits 4 and 5** on the following page. Property tax is collected in the year after taxes are levied, therefore these exhibits cover the period through tax year 2011, for which property taxes were collected in calendar year 2012.⁴

² Office of the Cook County Clerk, Certificate of Initial Equalized Assessed Valuation. Initial EAV is from tax year 2002, the most recent EAV available at the time of designation.

³ Office of the County Clerk Tax Increment Agency Distribution Summary, Tax Year 2011.

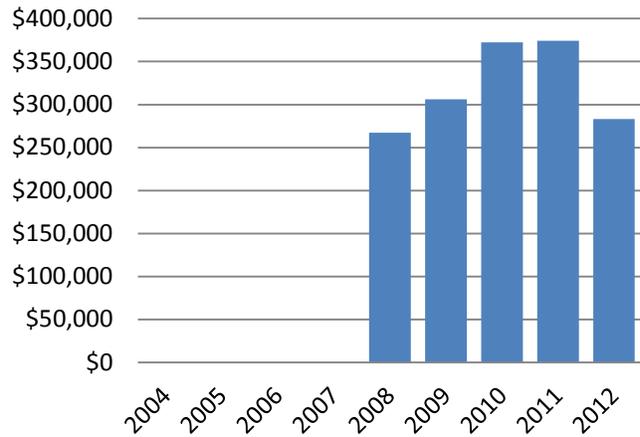
⁴ No incremental property tax revenue was collected until 2008 because the County Clerk did not receive certified copies of the City of Chicago ordinances adopting the Pratt/Ridge IPCA until December 12, 2007.

Exhibit 4. Incremental Property Tax Revenue Collected, 2004 - 2012

Calendar Year	Incremental Property Tax Collected
2004	\$0
2005	\$0
2006	\$0
2007	\$0
2008	\$267,123
2009	\$305,987
2010	\$372,203
2011	\$374,065
2012	\$283,128
CUMULATIVE PROPERTY TAX COLLECTED, 2004-2012	
	\$1,602,506

Source: IJRL Annual Reports: Section (7)(D) in 2004-2009 Reports; Section 3.1 in 2010-2012 Reports. Property tax increment deposited in special tax allocation fund.

Exhibit 5. Annual Incremental Property Tax Revenue Collected



Transfers of IJRL Funds

No transfers of funds have been made into or out of the Pratt/Ridge IPCA during the reporting period.

City Expenditures within the IPCA

From 2004 to 2012, \$934,069 in incremental property tax revenue was expended in support of projects within the IPCA. Expenditures of IJRL revenue over this period are presented in **Exhibit 2** (see page 6) by IJRL-eligible cost categories outlined in the IJRL Law.

No additional City non-IJRL investments were made between 2004 and 2012, as displayed in **Exhibit 6** below.

Exhibit 6. Non-IJRL City Investments in IJRL-Supported Projects, 2004-2012

Non-IJRL City investments were not made through December 2012.

Source: City of Chicago Capital Management System database 2004 - 2012, City's RDA and IGA database dated November 6, 2012.

Declaration of Surplus Funds

No surplus funds have been declared in the Pratt/Ridge special tax allocation fund during the reporting period.

3. Industrial Park Conservation Area Accomplishments

This chapter provides information on the status of IPCA project activity, goals and objectives outlined in the IJRL Plan. Detailed information on IJRL-supported projects within the Pratt/Ridge IPCA is provided, followed by a discussion of additional performance metrics relevant to the IJRL district.

IPCA Project Profiles – Major Accomplishments

Project profiles for IJRL-supported projects within the Pratt/Ridge IPCA that are underway or have been completed, as of December 31, 2012, are provided in **Exhibits 8 through 12** (see pages 10 – 11).

Key project information presented includes total project costs, IJRL investment (to date and expected), public-to-private investment ratio, permanent employment counts obligated under Redevelopment Agreements (“RDAs”), and additional community impacts resulting from or expected to result from these projects. The tables include projects receiving IJRL investment through RDAs. Projects that have been allocated IJRL funds, but for which no IJRL expenditures have occurred, are presented in **Exhibit 14** in the section on planned projects (see page 14).

The IJRL investments made via Redevelopment Agreements within the IPCA, as reported in **Exhibit 8**, are displayed in **Exhibit 7** below.

Exhibit 7. IJRL-Funded Project Map

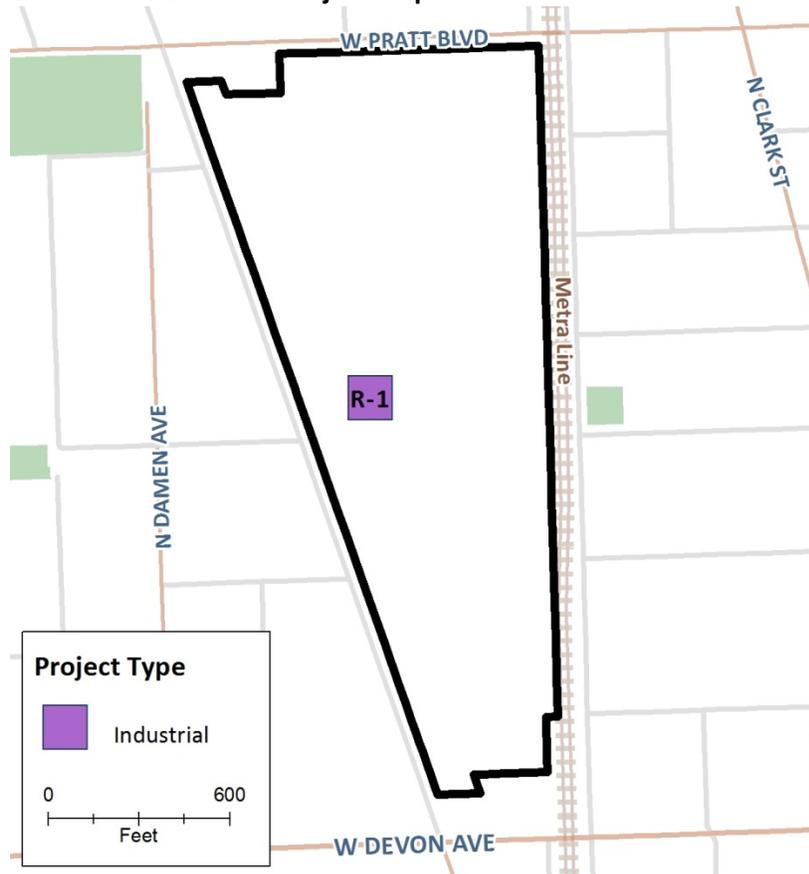


Exhibit 8. Redevelopment Agreement Projects

Map ID	Project	Status [1]	Total Project Cost [2]	IJRL Funding Approved [3]	IJRL Investment to Date [4]	Total Non-IJRL Investment Expected [5]	Other City-Controlled Sources [6] Source	Funding Amount	Ratio Non- IJRL to IJRL Invest.
INDUSTRIAL									
R-1	S & C Electric Company	In Progress	\$138,150,000	\$39,735,000	\$897,987	\$98,415,000	--	\$0	2.5:1
TOTAL			\$138,150,000	\$39,735,000	\$897,987	\$98,415,000		\$0	2.5:1

[1] "Complete" projects are those listed as "Complete" in 2012 IJRL Annual Report and/or with Certificate of Completion noted in the City's RDA and IGA database, dated November 6, 2012. "In Progress" projects are those indicated in IJRL Annual Reports as being in progress as of December 31, 2012.

[2][6] Source: Redevelopment Agreement.

[3] Maximum IJRL allocation from City Funds as specified in the Redevelopment Agreement, excluding interest and financing costs.

[4] 11/1/1999 to 12/31/2012, as noted in 2012 IJRL Annual Report.

[5] "Total Project Costs" less "IJRL Funding Approved".

Exhibit 9. Redevelopment Agreement Projects: Community Impacts

Project	Project Address	Commercial Project Square Footage	RDA-Required Permanent Jobs [1]	Number of Housing Units	Affordability Level (Percent of AMI) [2]	Additional Expected Community Impacts
INDUSTRIAL						
S & C Electric Company	East side of N. Ridge Blvd., between W. Pratt Blvd. and W. Devon Ave.	220,000	Retain 1,500 FTE jobs and create 50 new FTE jobs for 5 years following Phase I; Retain 1,200 FTE jobs through 2026.	0	--	Rehabilitation, demolition and new construction of various buildings at site that contains over one million square feet of industrial space, including a manufacturing plant and the company's headquarters. Project also includes machinery and equipment purchases, and employee training. Investment is planned over seven phases through 2026.
TOTAL		220,000 [3]	1,200 - 1,550 FTE	0	--	

Source: Redevelopment Agreement.

[1] Minimum threshold required in the Redevelopment Agreement.

[2] AMI: Area Median Income, as defined by the U.S. Department of Housing and Urban Development for the Chicago-Joliet-Naperville, IL area.

[3] Square footage of new construction buildings only. S & C Electrical Company campus has approximately 1.125 million square feet of existing buildings.

Exhibit 10. Intergovernmental Agreement Projects

No Intergovernmental Agreement Projects have received IJRL funding through December 2012.

Source: City's RDA and IGA database, dated November 6, 2012, and IGAs provided by the City.

Exhibit 11. IJRL-Funded Programs

No IJRL-Funded Programs have received financing in the RPA through December 2012.

Source: City's RDA and IGA database dated November 6, 2012, SBIF Grant Agreements provided by the City, TIFWorks Grant Agreements provided by the City, Housing Quarterly Reports.

Exhibit 12. Public Infrastructure Projects

No public infrastructure projects have received financing in the IPCA through December 2012.

Source: Capital Management System database, 2004-2012; City of Chicago. Projects listed as Complete or Active.

Additional Performance Metrics

Additional performance metrics associated with the IPCA, including construction and permanent job creation, and change in equalized assessed value over time, are presented below.

CONSTRUCTION JOB CREATION

213 one-year full-time equivalent construction jobs

Temporary construction employment associated with projects receiving IJRL assistance through RDAs has been estimated for this Report. For consistency, estimates for all projects were developed using IMPLAN, an economic impact modeling program, which incorporates local employment and economic data from the U.S. Bureau of Labor Statistics (“BLS”) and Bureau of Economic Analysis (“BEA”). The inputs for the IMPLAN analysis were derived from the actual project budgets, as presented in the RDA.

Based on this methodology, an **estimated 213 one-year full-time equivalent (“FTE”) construction jobs** were created through the first two phases of the one S & C Electric Company project that received IJRL funding between 2004 and 2012. In addition, 30 one-year FTE jobs were created for manufacturing equipment for the S & C Electric Company projects during this period.

PERMANENT JOB CREATION

1,550 FTE permanent jobs

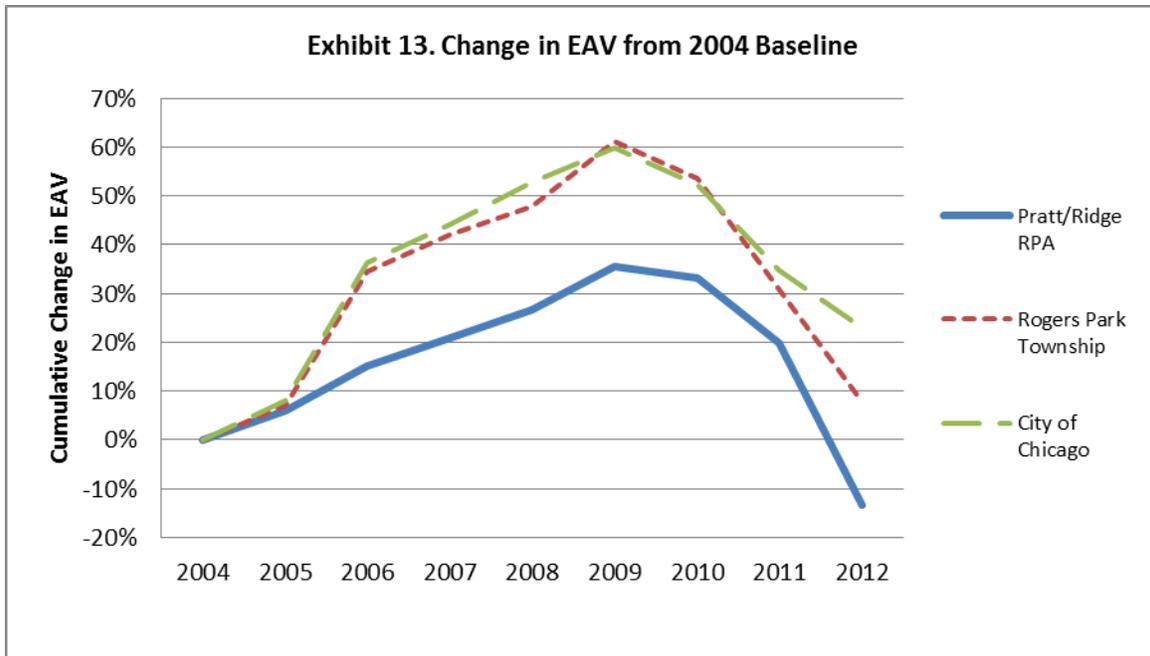
The City’s RDA with S & C Electric Company requires that a minimum of 1,550 FTE jobs be retained or created during the first five years after Phase I of the seven-phase project is completed. Following that period, the RDA requires that 1,200 FTE jobs be retained through 2026.

CHANGE IN EQUALIZED ASSESSED VALUE (EAV)

A comparison of the change in equalized assessed value over time in the IPCA to larger geographies is one indication of the relative growth in property values in the IPCA. Growth in property values from the creation of the IPCA is one metric of the relative economic health of the IPCA. The cumulative growth in total EAV for the IPCA, Lake Township, and the City of Chicago, overall, is displayed in **Exhibit 13** on the following page for tax years 2004 through 2012.

Property values within the IPCA have grown at a **compound annual growth rate of (-1.8) percent** from tax year 2004 to tax year 2012,⁵ while EAV in Rogers Park Township and the City of Chicago has grown at a compound annual growth rate of 0.9 percent and 2.6 percent, respectively.

⁵ EAV data for 2008 through 2012 based on tax codes for Pratt/Ridge IPCA. EAV data for 2004 through 2007 based on parcel identification numbers (PINs) within IPCA because the County Clerk did not receive certified copies of the City of Chicago ordinances adopting the Pratt/Ridge IPCA until December 12, 2007, at which point the tax codes were created.



Source: Cook County Assessor's Office, EAV before exemptions.

Status of Planned Activities, Goals and Objectives

PLANNED ACTIVITIES

The projects presented in **Exhibits 8 through 12** include only those IJRL-supported projects for which IJRL funds have been expended through December 31, 2012. Planned projects are defined as those that have met substantial approval criteria for receiving IJRL funds as of December 2012, but as of December 2012 had not received any IJRL funding. These planned projects consist of:

- Projects with an executed RDA, or with an RDA under negotiation following approval by the Community Development Commission;
- IGAs that have received City Council approval but without IJRL expenditures through 2012;
- IJRL-funded programs for which funding has been approved but no IJRL dollars expended; and
- Public infrastructure projects with prior approval but no expenditures through 2012, or projects included in the City's 2013-2017 TIF Projection Reports.

Information on the planned projects in the IPCA is presented in **Exhibit 14** on the following page.

Exhibit 14. Planned Projects

There are no planned projects in the IPCA as of December 2012.

Source: Redevelopment Agreements, Intergovernmental Agreements, CDC reports, Capital Management System database, 2004-2012, IJRL Projection Reports 2013-2017.

Progress toward Achieving Goals and Objectives

The TIF Act requires that progress toward achieving goals and objectives outlined in the IJRL Plan be addressed in the Report. **Exhibit 15** below presents a summary of the relevant projects and their progress in addressing the goals and objectives outlined in the IJRL Plan through 2012.

Exhibit 15. Progress toward Achieving Goals and Objectives in the IJRL Plan

Map ID	Project	Relevant Goals and Objectives Addressed
R-1	S & C Electric Company	1, 2, 4, 5, 7

Source: Redevelopment Agreements, Intergovernmental Agreements, City of Chicago TIF Program Tracking Data, Capital Management System database.

S. B. FRIEDMAN & COMPANY

221 N. LaSalle St. Suite 820 Chicago IL 60601

T: 312.424.4250 F: 312.424.4262 E: sbf@sbfriedman.com

www.sbfriedman.com
