

**TAX INCREMENT FINANCING
Ten (10) Year Status Report
2006-2014**

**26TH & KING DRIVE
Redevelopment Project Area
Designated January 11, 2006**



December 8, 2015

Pursuant to 65 ILCS 5/11-74.4-5

Prepared by



CHICAGO DEPARTMENT OF
PLANNING & DEVELOPMENT

AND

S. B. FRIEDMAN & COMPANY

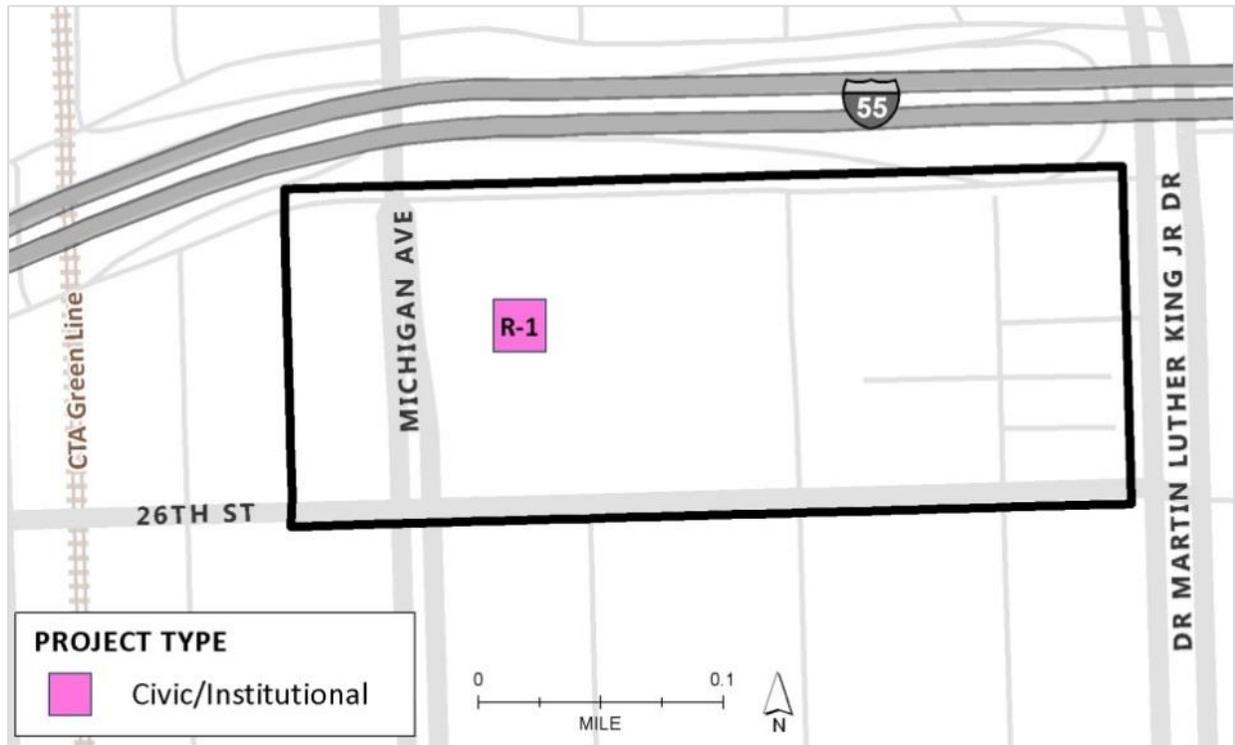
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Executive Summary

26TH & KING DRIVE REDEVELOPMENT PROJECT AREA

- Designated: January 11, 2006
- Expires: December 31, 2030
- 30 acres
- 13 parcels at time of designation



* Additional detail on projects within the 26th & King Drive RPA is provided in Exhibits 8 through 12 and Exhibit 14.

The 26th & King Drive Redevelopment Project Area (“RPA”) was created to foster the revitalization of two blocks of underutilized land around the Mercy Hospital campus on the Near South Side. It is designed to aid site assembly efforts and help finance improvements to streets and sewer systems, sidewalks and alleys and other public spaces used by hospital patrons and workers. In fostering the growth of a diverse economic and demographic mix of new residents, the RPA is also intended to facilitate the creation of affordable housing, parking and job opportunities.

26th & King Drive RPA Activity 2006 - 2014

INVESTMENT SUMMARY

- \$263.2 million in total private development value
- \$60.9 million in TIF Funds leveraged \$202.3 million in other financing for private projects

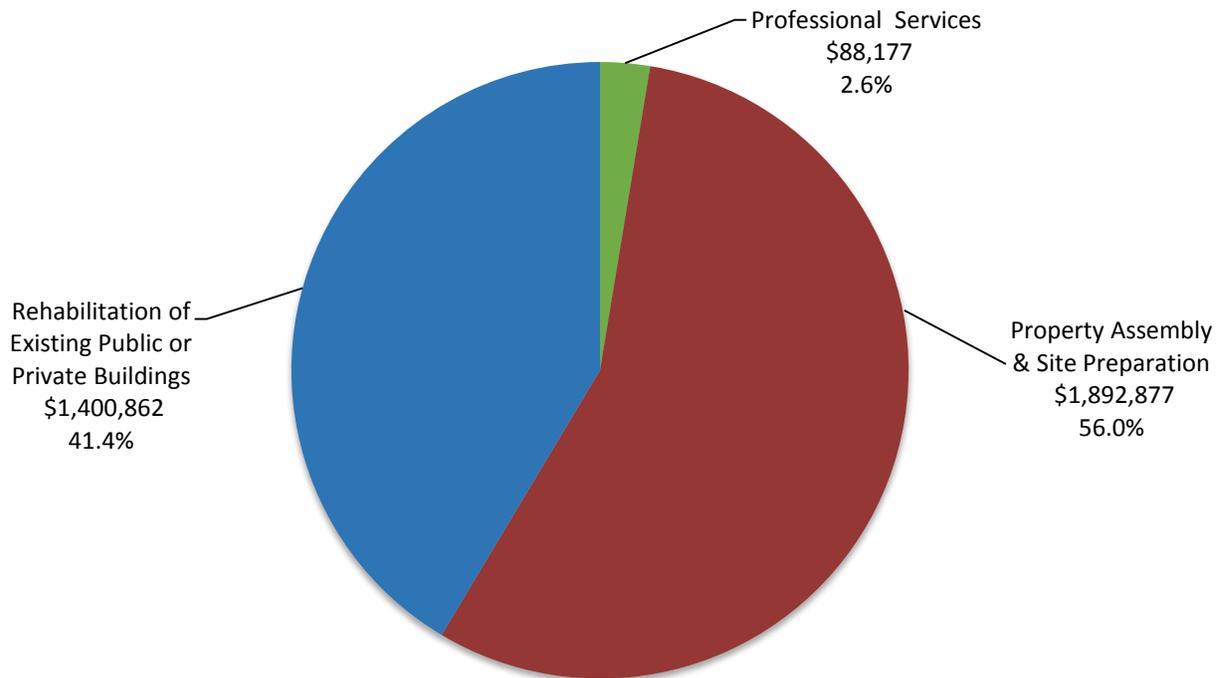
PROPERTY VALUE

- Equalized Assessed Value - Compound annual growth rate of 36.5 percent [1]

JOB CREATION

- Construction Jobs – Estimated 298 one-year full-time equivalent (“FTE”) construction jobs created
- Permanent Jobs – Approximately 47 FTE permanent positions created

DISTRIBUTION OF TIF-ELIGIBLE EXPENDITURES THROUGH 2014 [2]



[1] The parcels within the 26th & King RPA were exempt from property taxes until 2007. Therefore, the compound annual growth rate (CAGR) reflects the growth rate between tax year 2007, the year the property became taxable, and tax year 2013.

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

1. Redevelopment Project Area Information

In July 2010, the Tax Increment Financing (“TIF”) Allocation Redevelopment Act 65 ILCS 5/11-74.4-5-1, 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 Act requires the report to detail:

1. The amount of revenue generated within the district;
2. Expenditures made for the Redevelopment Project Area (“RPA”), 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.

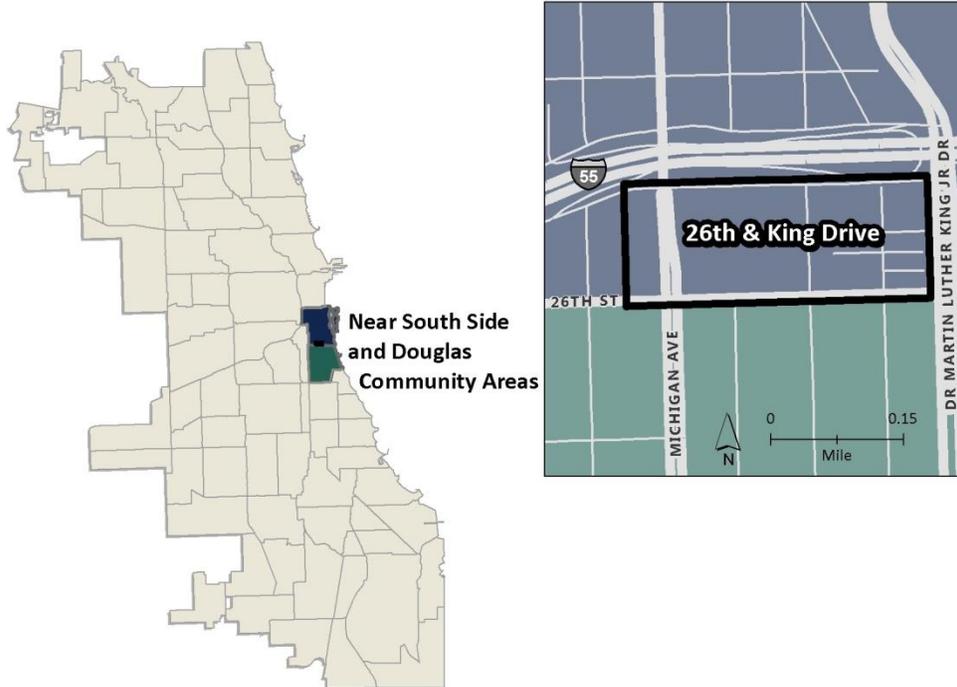
The information summarized herein is for the reporting period from the TIF district’s inception through the end of the 2014 calendar year and the 2013 tax year (for which taxes were collected in 2014). For informational purposes, certain other supplementary information, such as upcoming planned projects, is reported as of July 2015.

Detailed data on the 26th & King Drive RPA was compiled to meet 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-funded program databases (Small Business Improvement Fund, Neighborhood Improvement Program, the Local Industrial Retention Initiative, and TIFWorks) to track financial and programmatic performance. Data sources are referenced throughout this Report.

Project Area Context and Background

The approximately 30-acre 26th & King Drive RPA is located within the Near South Side Community Area of the City of Chicago and encompasses the Mercy Hospital Campus. The RPA is bounded by 25th Street on the north, 26th Street on the south, Martin Luther King Drive on the east, and the alley west of Michigan Avenue on the west. The RPA boundary is shown in **Exhibit 1** on the following page.

The 26th & King Drive RPA was designated as a TIF district on January 11, 2006, and is expected to expire no later than December 31, 2030. There have been no major or minor amendments to the 26th & King Drive Tax Increment Financing Redevelopment Area Project and Plan (the “TIF Plan”) as of December 31, 2014.

Exhibit 1. 26th & King Drive RPA**Conditions at Time of TIF Creation**

The 26th & King Drive RPA was determined to be eligible for TIF designation as an “improved conservation area” under the TIF Act. Designation as an “improved conservation area” requires that at least 50 percent of buildings be 35 years of age or older, and a minimum of three additional eligibility factors for improved land be present to a meaningful extent and reasonably distributed throughout the RPA. The following eligibility factors were described in the 26th & King Drive TIF Plan:

- 75 percent of structures were found to be 35 years of age or older
- Five (5) improved land factors present to a major extent:
 - Deterioration
 - Inadequate Utilities
 - Excessive vacancies
 - Obsolescence
 - Deleterious Land Use/Lay Out

At the time of designation, the 26th & King Drive RPA was characterized by institutional structures, consisting of the Mercy Hospital Campus. The campus included a main hospital building, residents/interns building, a vacant research and MRI buildings, and surface parking lots. The 30-acre RPA was created to facilitate the redevelopment of the eastern half of the existing Mercy Hospital Campus by providing resources for the modernization of the Hospital, to provide public infrastructure where needed, and to support residential development, including the development of new affordable housing.

Goals and Objectives for the RPA

The primary goals of the 26th & King Drive RPA include promoting the redevelopment of the aging Mercy Hospital, and to support the redevelopment of the existing hospital campus to meet residential development needs while continuing to provide employment opportunities within the RPA. The following eight (8) specific objectives were outlined in the TIF Plan:

- 1. Provide resources** for the rehabilitation, modernization, and/or expansion of the Mercy Hospital;
- 2. Facilitate the redevelopment** of the eastern half of the existing Mercy Hospital Campus by providing resources for site assembly and preparation, including demolition and environmental cleanup, where necessary;
- 3. Provide public infrastructure** where needed, including new streets, underground sewer and water systems, sidewalks, alleys, and other public improvements in order to create a physical environment that is conducive to private development;
- 4. Support residential development** that accommodates a diverse economic and demographic mix of residents, including the development of new affordable housing;
- 5. Provide adequate on- and off-street parking** for visitors and residents within the RPA;
- 6. Provide opportunities for women-owned, minority-owned, and locally-owned businesses** to share in permanent and construction job opportunities associated with the redevelopment of the 26th & King Drive RPA;
- 7. Support job training and welfare** to work programs and increase employment opportunities for area residents; and
- 8. Provide daycare assistance** as necessary to support the employees of the Mercy Hospital.

Estimated Redevelopment Project Costs and Allocations

The estimated Redevelopment Project Costs outlined in the 26th & King Drive TIF Plan total \$50.0 million. Through 2014, \$3.4 million has been expended on TIF-supported projects within the RPA, representing 6.8 percent of the estimated total Redevelopment Project Costs. **Exhibit 2** on the following page displays the estimated eligible costs of the TIF Plan through 2014 by statutory cost category.

Exhibit 2. Total TIF-Eligible Project Costs and Expenditures through 2014

Permissible Cost Category	Eligible Cost Description	Estimated Project Costs	Project Costs Expended Through 2014	
			Expenditures	Percent of Total
1. Professional Services	Costs of studies, surveys, administration and professional services	\$1,000,000 [1]	\$88,177	8.8%
2. Marketing of Sites	Cost of marketing sites within RPA to prospective businesses, developers, investors	[1]	\$0	N/A
3. Property Assembly & Site Preparation	Property assembly costs, including acquisition, demolition, site preparation and environmental site improvement costs	\$6,000,000	\$1,892,877	31.5%
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	\$36,400,000	\$1,400,862	3.8%
5. Public Works or Improvements	Costs of construction of public works and improvements	\$4,500,000 [2]	\$0	0.0 %
6. 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	\$500,000	\$0	0.0 %
7. Financing Costs	Financing costs, including interest and issuance costs	[3]	\$0	N/A
8. Capital Costs	Taxing districts’ capital costs resulting from redevelopment project	[2]	\$0	N/A
9. Increased Education Costs	Costs of reimbursing school districts for their increased costs attributable to TIF-assisted housing projects	[2]	\$0	N/A
10. Relocation Costs	Relocation costs	\$0	\$0	N/A
11. Interest Costs	Costs of reimbursing developers for interest costs on redevelopment projects	\$1,000,000	\$0	0.0 %
12. Affordable Housing Construction	Costs of construction, renovation, rehabilitation of housing for low-income and very low-income households	\$500,000	\$0	0.0 %
13. Day Care Reimbursements	Costs of day care services and operational costs of day care centers for low-income families in RPA	\$100,000	\$0	0.0 %
TOTAL REDEVELOPMENT PROJECT COSTS [3][4]		\$50,000,000	\$3,381,916	6.8 %

Source: 26th & King Drive Redevelopment Project Area Redevelopment Plan and Project, dated July 28, 2005; Section (2) in 2004-2009 TIF Annual Reports; Attachment K in 2010-2014 TIF Annual Reports.

[1] Professional Services category may also include Marketing of Sites, as indicated in TIF Plan.

[2] Public Works or Improvements line item may include 1) reimbursements to an elementary, secondary or unit school district for increased costs attributed to assisted housing units, and 2) capital costs of taxing districts impacted by the redevelopment of the Project Area, as noted in the TIF Plan.

[3] Total Redevelopment Project Costs in TIF Plan exclusive of capitalized interest, issuance costs and other financing costs.

[4] 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. In addition to the above stated costs, each issue of obligations issued to finance a phase of the Redevelopment Project may include an amount of proceeds sufficient to pay customary and reasonable charges associated with the issuance of such obligations, including interest costs.

2. Redevelopment Project Area Revenues and Expenditures

This chapter provides information on the incremental property tax revenue generated and associated expenditures within the 26th & King Drive RPA from its inception through December 31, 2014. A summary of non-TIF City funds expended in support of projects through the 2014 calendar year is also presented.

Growth in EAV and Revenue Generated within 26th & King Drive RPA

Incremental property tax revenues are generated based on the growth in equalized assessed value (EAV) that arises during the TIF district's existence, as compared to the initial EAV at the time of the TIF's original adoption. The RPA's initial EAV as of 2004 was zero (\$0) due to the district's composition of only non-taxable parcels.¹ Since the initial EAV was \$0, growth in EAV has been calculated based on the first year of taxable value in the RPA, which was \$1.1 million in 2007. As of December 31, 2014, the total taxable EAV (for tax year 2013) of the RPA was \$9.3 million, representing growth of 728 percent from the 2007 EAV.²

Exhibit 3. Growth in EAV: Tax Year 2007– 2013

Year	EAV	% Increase from Initial EAV
2004 – Initial EAV [1]	\$0	--
2007 – First Year of Taxable EAV	\$1,118,429	--
2013 – Current EAV	\$9,261,627	728% [2]

Source: Cook County Clerk.

[1] The RPA was designated in 2006, with initial EAV from tax year 2004.

[2] Percent increase from 2007, the first year with taxable EAV.

This growth in EAV in the RPA generated a total of \$4.3 million in incremental property tax revenue from 2008³ through the end of 2014, 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 2013, for which property taxes were collected in calendar year 2014.

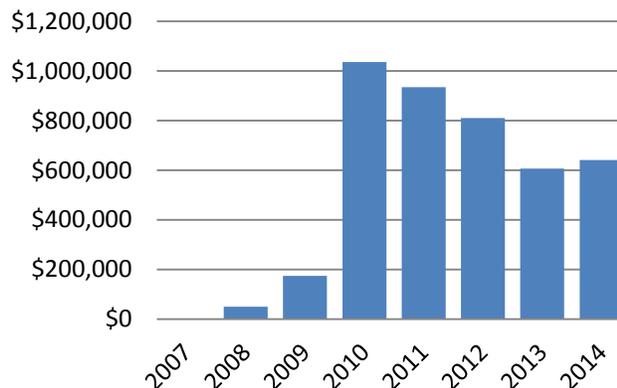
¹ Office of the Cook County Clerk, Certificate of Initial Equalized Assessed Valuation. Initial EAV is from tax year 2006, the most recent EAV available at the time of designation.

² Office of the County Clerk Tax Increment Agency Distribution Summary, Tax Year 2013.

³ Incremental property tax was first collected for the 26th & King Drive RPA in 2008 based on 2007 EAV. Prior to 2007, all property in the RPA was tax-exempt.

Exhibit 4. Incremental Property Tax Revenue Collected, 2007 - 2014

Year	Property Tax Collected
2007	\$0
2008	\$49,843
2009	\$174,390
2010	\$1,035,715
2011	\$935,460
2012	\$810,162
2013	\$607,202
2014	\$641,682
TOTAL INCREMENTAL PROPERTY TAX COLLECTED, 2007-2014	\$4,254,454

Exhibit 5. Annual Incremental Property Tax Revenue Collected

Source: TIF Annual Reports: Section (7)(D) in 2006-2009 Reports; Section 3.1 in 2010-2014 Reports. Property tax increment deposited in special tax allocation fund.

Transfers of TIF Funds

No funds were transferred (or “ported”) into or out of the 26th & King Drive special tax allocation fund to adjacent TIF districts through December 31, 2014.

City Expenditures within the RPA

From 2006 to 2014, \$3.4 million in incremental property tax revenue was expended in support of projects within the 26th & King Drive RPA. Expenditures of TIF revenue over this period are presented in **Exhibit 2** (see page 6) by TIF-eligible cost categories outlined in the TIF Act.

No additional City non-TIF investments were made between 2006 and 2014, as displayed in **Exhibit 6** below.

Exhibit 6. Non-TIF City Investments in TIF-Supported Projects, 2006-2014

Non-TIF City investments were not made through December 2014.

Source: City of Chicago

Declaration of Surplus Funds

No declaration of surplus funds in the 26th & King Drive special tax allocation fund has occurred through December 31, 2014. All unspent funds in the special tax allocation fund were reserved or earmarked for current and/or future projects.

3. Redevelopment Project Area Accomplishments

This chapter provides information on the status of TIF project activity, goals and objectives outlined in the TIF Plan. Detailed information on TIF-supported projects within the 26th & King Drive RPA is provided, followed by a discussion of additional performance metrics relevant to the TIF district.

RPA Project Profiles – Major Accomplishments

Project profiles for TIF-supported projects within the 26th & King Drive RPA that are underway or have been completed, as of December 31, 2014, are provided in **Exhibits 8 through 12** on the following pages (see pages 10 – 11).

Key project information presented includes total project costs, TIF investment (to date and expected), public-to-private investment ratio, and additional community impacts resulting from or expected to result from these projects. The tables include projects receiving TIF investment through Redevelopment Agreements (“RDAs”), the Local Industrial Retention Initiative (“LIRI”), and public infrastructure improvements receiving funds through TIF and other City sources. Projects that have been allocated TIF funds, but for which no TIF expenditures have occurred, are presented in **Exhibit 14** in the following section on planned projects (see page 13).

The TIF investments made in Redevelopment Agreement Projects, as reported in **Exhibit 8**, are displayed in **Exhibit 7** below.

Exhibit 7. TIF-Funded Project Map

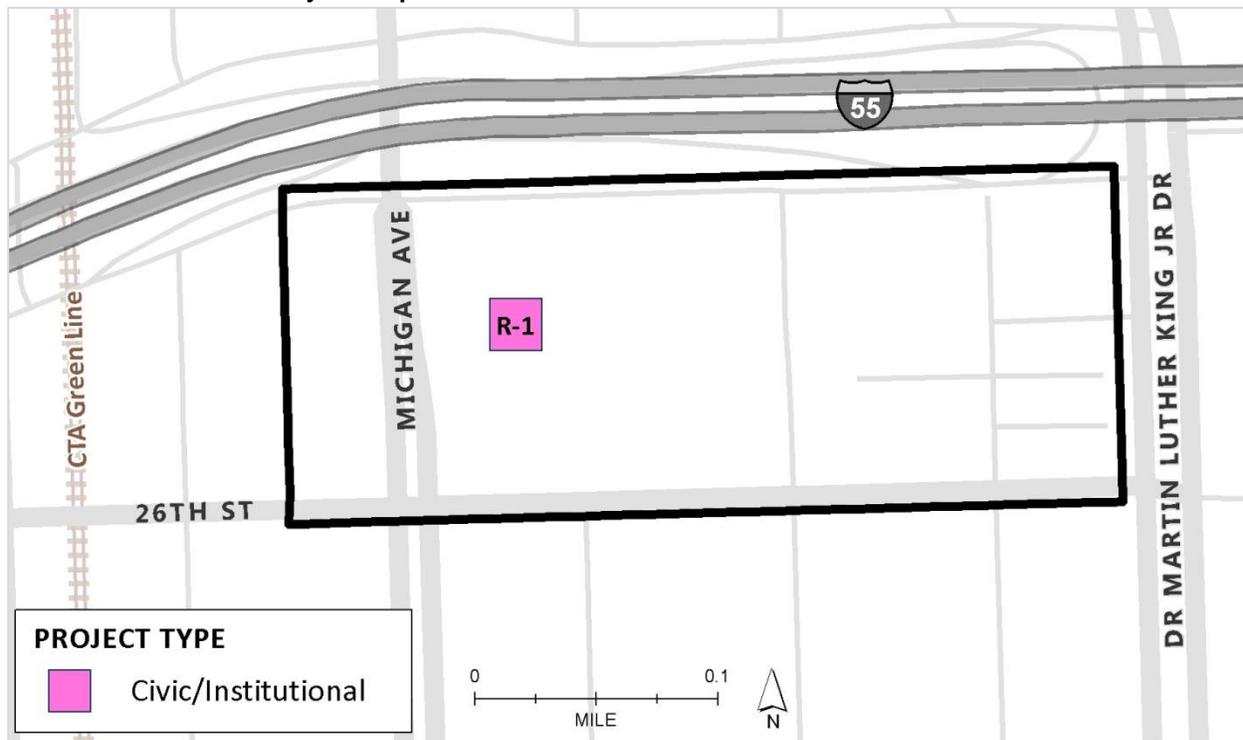


Exhibit 8. Redevelopment Agreement Projects

Map ID	Project	Status [1]	Total Project Cost [2]	TIF Funding Approved [3]	TIF Investment to Date [4]	Total Non-TIF Investment Expected [5]	Other City-Controlled Sources [6]		Ratio Non-TIF to TIF Invest.
							Source	Funding Amount	
PUBLIC/INSTITUTIONAL									
R-1	Mercy Hospital and Medical Center	In Progress	\$263,151,638	\$60,897,431	\$3,293,740	\$202,254,207	N/A	\$0	3.3:1
							TOTAL	\$0	
TOTAL			\$263,151,638	\$60,897,431	\$3,293,740	\$202,254,207		\$0	3.3:1

[1] "Complete" projects are those listed as "Complete" in 2014 TIF Annual Report and/or with a Certificate of Completion as of December 31, 2014. "In Progress" projects are those indicated in TIF Annual Reports as being ongoing as of December 31, 2014.

[2] Source: Redevelopment Agreement.

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

[4] 11/1/1999 to 12/31/2014, as noted in 2014 TIF Annual Report.

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

[6] Source: Redevelopment Agreement.

Exhibit 9. Redevelopment Agreement Projects: Community Impacts

Project	Project Address	Commercial Project Square Footage	RDA-Required Permanent Jobs [1]	Number of Housing Units [2]	Affordability Level (Percent of AMI)	Additional Expected Community Impacts
PUBLIC/INSTITUTIONAL						
Mercy Hospital and Medical Center	2525 S Michigan Ave	N/A	0	N/A	N/A	The project will result in improved service provision by the hospital to the medically underserved community. Environmental features include 50% green roof coverage for new residential units on adjacent property. The project will comply with the prevailing wage, local hiring, MBE/WBE requirements for construction contracts.
TOTAL		N/A	0			

Source: Redevelopment Agreements, Community Development Commission project summaries.

[1] Minimum threshold required in the Redevelopment Agreement, if applicable.

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

Exhibit 10. Intergovernmental Agreement Projects

No Intergovernmental Agreement Projects have received TIF funding through December 2014.

Source: Intergovernmental Agreements provided by the City.

Exhibit 11. TIF-Funded Programs

Project	Project Type	Total TIF Funding Expected [1]	Total Private Investment through 2014	TIF Investment through 2014 [1]	Ratio of Non-TIF to TIF Investment	Description/ Key Community Impacts
LIRI/NBDC	Industrial and Business Retention	\$835	\$0	\$835	0:1	Local Industrial Retention Initiative grants and Neighborhood Business Development Center grants were issued through Delegate Agencies.
TOTAL		\$835	\$0	\$835	0:1	

[1] Source: City of Chicago.

Exhibit 12. Public Infrastructure Projects

No public infrastructure projects have received TIF funding in the RPA through December 2014.

Source: Capital Management System database, 2006-2014; City of Chicago. Projects listed as Complete or Active.

Additional Performance Metrics

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

CONSTRUCTION JOB CREATION

298 one-year full-time equivalent construction jobs

Temporary construction employment associated with private projects (those with Redevelopment Agreements) 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 298 one-year full-time equivalent (“FTE”) construction jobs** were created as a result of the Mercy Hospital and Medical Center project through 2014.

PERMANENT JOB CREATION

47 FTE permanent jobs

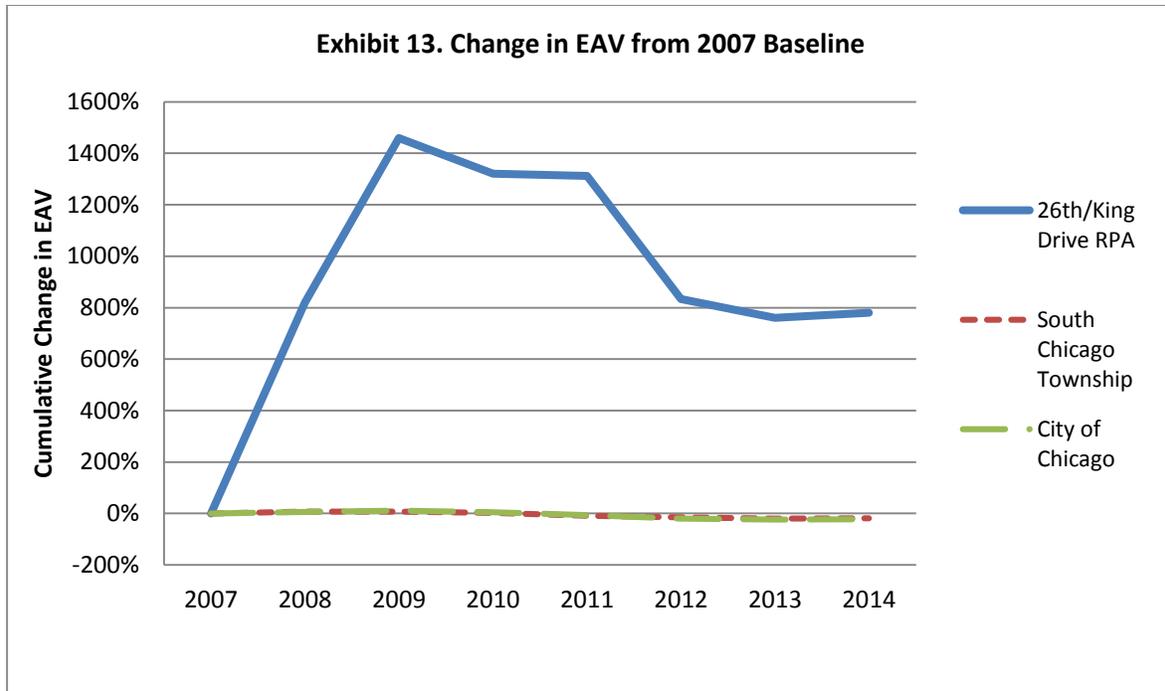
In some cases, RDAs require private, TIF-supported projects to create or retain a certain number of permanent jobs as a condition of receiving TIF funding. The only RDA to date within the 26th & King Drive RPA, Mercy Hospital and Medical Center, has not included a permanent job creation covenant. However, under the terms of the RDA the project is anticipated to create 50 permanent jobs. These employment figures were converted to FTE positions for comparability using U.S. BLS and BEA conversion factors.

Based on this methodology, an estimated **47 FTE permanent positions** are expected to be created as a result of the Mercy Hospital and Medical Center project in the 26th & King Drive RPA.

CHANGE IN EQUALIZED ASSESSED VALUE

A comparison of the change in equalized assessed value (EAV) over time in the 26th & King Drive RPA to larger geographies is one indication of the relative growth in property values in the RPA. The cumulative growth in total EAV for the 26th & King Drive RPA, South Township, and the City of Chicago, overall, is displayed in **Exhibit 13** on the following page for tax years 2006 through 2014.

Property values within the 26th & King Drive RPA have increased at a **compound annual growth rate (CAGR) of 36.5 percent** from tax year 2007 to tax year 2014, while EAV in South Chicago Township and the City of Chicago has declined at a CAGR of -2.8 percent and -3.5 percent, respectively.



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 TIF-supported projects for which TIF funds have been expended through December 31, 2014. Planned projects are defined as those that have, as of December 2014, met substantial approval criteria for receiving TIF funds, but have not received any TIF 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 TIF expenditures through 2014;
- TIF-funded programs for which funding has been approved but no TIF dollars expended; and
- Public infrastructure projects with prior approval but no expenditures through 2014, or projects included in the City’s 2015-2019 TIF Projection Reports as “potential projects.”

Information on the planned projects in the RPA is presented in **Exhibit 14** below.

Exhibit 14. Planned Projects

No planned projects have been identified in the RPA through December 2014.

Source: Redevelopment Agreements, Intergovernmental Agreements, CDC reports, Capital Management System database, 2006-2014, TIF Projection Reports 2015-2019.

Progress toward Achieving Goals and Objectives

The TIF Act requires that progress toward achieving goals and objectives outlined in the TIF 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 26th & King Drive TIF Plan through 2014.

Exhibit 15. Progress toward Achieving Goals and Objectives Outlined in 26th & King Drive TIF Plan

Map ID	Project	Relevant Goals and Objectives Addressed
R-1	Mercy Hospital and Medical Center	1, 2, 4, 6

Source: Redevelopment Agreements.

