

Department of Planning and Development

2015 Budget Statement

Commissioner Andrew J. Mooney

Good afternoon, Chairman Austin and honorable members of the City Council. Thank you for the opportunity to present the Department's budget request for 2015. I'll take this time to outline our goals for the coming year and recap some of DPD's most important accomplishments.

As you know, the department re-dedicated itself to our core planning functions over the last 10 months, during which we refined our role within a generally improving economy throughout the city. With 230 budgeted staff positions in three specialized bureaus, DPD's goals and initiatives continue to respond to the marketplace and reflect the city's needs, and the issues facing our neighborhoods.

We are heartened by the good news we've had most of this year about significant improvements in the City's unemployment rate, rising home values and sales volumes, and positive indicators in the construction industry, particularly for apartment and hotel room construction. Nevertheless, we know the City's recovery from the recession has been unevenly distributed in local neighborhoods and that we must persevere with all our efforts to make sure that the entire City emerges from the effects of the Great Recession and that we move together toward healthy and stable neighborhoods with jobs for all.

From 2011 through the third quarter of this year, as the City grappled with the enormous downward effects of the Recession, we were able to invest over \$1.5 billion in housing, small businesses, job training, manufacturers, and large-scale economic development projects, which leveraged nearly \$4 billion in total project financing, which highlights the importance of having public tools available to keep our economy moving

With this background, let me begin my review of our budget with our Housing Bureau.

The Bureau's first order of business this year was to establish a Five Year Housing Plan through the year 2018. The plan outlines new policy initiatives and provides production estimates for more than \$1.3 billion in spending to create, improve, and preserve more than 41,000 units of housing citywide. The projections and associated funding were the products of a vigorous public engagement process and aldermanic input, and we are well on our way to accomplishing the plan's major goals. I particularly want to thank Alderman Suarez who, as Chairman of the Housing and Real Estate Committee, played such a critical role in the Plan's development.

For example, one of the programs under the Plan is the Large Lots program, which proposes to sell City-owned parcels of land for \$1 to local residents. The program has gotten off to a tremendous start, and this summer's pilot has been expanded beyond Englewood, Woodlawn, and Washington Park, first to East Garfield Park and soon to Austin, with additional communities on the horizon.

Another goal of the Plan was to review and update the Affordable Requirements Ordinance ("ARO"), which requires developments that involve zoning changes, or city land or financial assistance, to provide a percentage of affordable units on-site or a cash payment to the Affordable Housing Opportunity Fund. Thanks to the hard work of Chairman Suarez and an advisory committee that is thoroughly exploring the issues and stakeholders' input, we will have several progressive options for aldermen to consider in updating the ARO in coming weeks.

In addition to the ARO, we are also addressing issues with Single Room Occupancy Buildings ("SROs"), which are a diminishing affordable housing resource in many communities. We are finalizing an ordinance that would establish a regulatory framework to slow the displacement of Single Room Occupancy buildings and generate new revenue to

protect units during market rate conversions. The regulations could preserve as many as 700 SRO at-risk units by the end of 2018.

In advance of this initiative, the Chicago Low Income Housing Trust Fund agreed to preserve nearly 60 SRO tenants earlier this year in Uptown and Edgewater, where it arranged \$4.3 million in rental subsidies in four buildings that are going market rate. The Trust Fund – which marked its 25th anniversary this year – is one of our most valuable tools, providing over 2,800 rental subsidies to landlords citywide on behalf of very-low-income families. Through our budget recommendation, we anticipate the Trust Fund will maintain at least that many units in 2015.

By year's end, our housing commitments will have supported nearly 8,300 units of housing with \$264.7 million in direct assistance. These include new and rehabbed units made possible through our multi-family loan and tax credit programs and Tax Increment Financing. Notable City-supported projects that are opening in 2014 include the 79-unit Town Hall Apartments for LGBTQ seniors in Lakeview; the 16-unit Bronzeville Artists Lofts in Grand Boulevard; the 50-unit Darul Aaman senior living facility in Albany Park; and the 73-unit Hope Manor II apartments for veterans in Englewood.

Our affordable housing efforts are not just about projects, but also about programs. The TIF-Neighborhood Improvement Program, the Small Accessible Repairs for Program, and the Roof and Porch Program continue to be our most popular housing assistance initiatives – indeed, we will serve well over 1000 households just in these programs this year. These programs and others are managed by the over 85 delegate agencies and not-for-profit organizations that we will continue to fund in the new budget.

Our new TIF-Purchase Rehab Program is also maturing this year with the completion of its very first project, a 26-unit building in North Lawndale, and several others in the pipeline. The program provides grants to housing developers to cover up to 50% of the cost of acquiring and rehabilitating vacant and foreclosed multi-family and single-family buildings. And of course the Micro Market Recovery Program continues to resonate in 13 specific

areas of the city that have been heavily impacted by foreclosure-related issues. To date more than 3,800 vacant and abandoned housing units have entered the MMRP stabilization and reoccupation process.

The number of new foreclosure filings in 2014 is roughly just a third of what they were in 2010, and virtually every community has seen substantial drops over the last year. But Illinois remains one of the top four foreclosure states in the country, which is why we are continuing to set aside level funding for housing and foreclosure counseling agencies in 2015.

With respect to new development, we expect our affordable housing efforts will continue to advance next year with several new projects being made possible through loans, TIF, tax-exempt bonds, and tax credits. As a matter of fact, we expect that TIF allocations for affordable housing will more than double in 2015. New projects coming online include the 72-unit North and Pulaski Senior Housing project in Humboldt Park, the 70-unit Kennedy Jordan Manor in West Pullman, the 180-unit Sterling Park Apartments in North Lawndale, the 45-unit multifamily Casa Queratero project in the lower West Side, and the 63-unit residential conversion of the former Strand Hotel in Woodlawn.

As the Council is aware, the department closely monitors minority and women participation in all our development projects. Overall, 34% of construction spending is going to minority- and woman-owned businesses, with 28.4% of our contracts for the former and the remainder for the latter – surpassing the respective goals of 24% and 4%. They collectively account for more than \$98 million in expenditures so far this year.

Turning now to the local economy and our Economic Development Bureau, I'll start with a quick recap of the job market:

The City posted a preliminary unemployment rate of 7.3% in September, down from last year's rate of 10.2%, and the Recession-high rate of 12.5%, making this the city's lowest unemployment rate since 2008. Meanwhile, the number of employed city residents in

September 2014 increased by 24,347 from a year ago to 1.17 million people, making this the 11th consecutive month of over-the-year increases in employed residents.

This is more than a trend. Since taking office, Mayor Emanuel has announced over 53,000 jobs with companies that are either coming to or expanding in the city, including the headquarters of approximately two dozen companies. These investments stretch from downtown office projects like 150 N. Riverside, to the farthest reaches of the City, like Pullman, where Method Products is building its first U.S. factory.

In the first half of this year alone, City Council-approved economic development projects negotiated with private sector entities by DPD should produce or retain more than 6,000 temporary and permanent jobs, including many in small and medium-sized enterprises that form the backbone of the local economy, as well as more innovative entities that are pushing the envelope in terms of technology.

Projects that moved forward this year include UI Labs, which is creating a hub for advanced manufacturing on Goose Island; Swedish Covenant and Mt. Sinai hospitals, which are making major investments in Lincoln Square and North Lawndale respectively; Shops and Lofts on 47th Street; and the Metropolitan Pier and Exposition Authority, which is addressing long-needed facility improvements at McCormick Place.

All these projects were made possible by the city's most powerful incentive tool: Tax Increment Financing. The program entered its 31st year this year and it's more important than ever to the City's goals in the neighborhoods. We've worked hard to make the program more accessible than ever through a new on-line data platform and other reports that give an extensive amount of real time information about the program and the projects it supports.

We've also made TIF more accessible to the City's small businesses and their workforce. The Small Business Improvement Fund will assist over 150 properties this year with an average grant of nearly \$44,000 for facility improvements that will help create and retain

nearly 1740 full and part-time jobs. Our workforce development tool, TIFWorks, also continues to resonate in local TIF districts, having financed training projects for over 760 workers for 51 businesses that were seeking to boost efficiencies, reduce costs, and increase output.

Finally, we are using TIF, along with other tools at our disposal, to meet one of our most important community development goals: food access and grocery stores. We are using TIF in the development of two new Whole Foods stores under construction in Englewood and Hyde Park, as well as the recently-announced Mariano's in Grand Boulevard.

Altogether, these stores are among more than two dozen groceries that have opened, expanded, or moved forward on the South and West Sides in the last three years. In addition, we were largely able to weather the storm of the closing of the Dominick's chain, announced at roughly this time last year. I said at that time that we believed our local markets were strong enough to attract new users to the stores located in the City, and that has been the case in 14 of the 15 locations. Even so, we are now looking to acquire the remaining site to be able to offer it to a new operator.

As we speak about the various incentive programs we have available, I want to note that one of the Department's major new initiatives in 2015 will be on retail development in our neighborhoods. In general, retail has been the slowest economic sector to recover from the Recession, trailing far behind residential, office and industrial development. And the retail market itself is in some peril, as evidenced by the pullbacks from such retail giants as Sears, Penney's and Walmart. But we have begun to see signs of renewed interest in the retail sector and, in collaboration with such organizations as the Urban Land Institute, ICSC and neighborhood partners, the time is ripe to aggressively draw developer and investor interest directly to underserved neighborhoods in the coming year.

Beyond TIF, another effective investment incentive administered by the department involves New Markets Tax Credits, which is financing numerous facilities in many neighborhoods. Some recently announced projects include the Quad Communities Arts &

Rec Center, which is bringing much needed activity space to Bronzeville; METROSquash, a racquet club and academic facility for youth in Woodlawn; and Breakthrough Urban Ministries FamilyPlex, which is creating a new community center in Garfield Park. These projects bring the City's total New Markets Tax Credit allocations to date to more than \$230 million. Those funds, in turn, have helped local businesses and community-based organizations retain or create approximately 1,743 jobs.

Another important tool for us, this year particularly, has been our property tax incentives. They're available for a variety of commercial redevelopment projects and they reduce the standard Cook County tax rates by more than half for a period of 12 years. New tax incentive projects in 2014 include Dutch Farms, a food processing and distribution facility in Pullman, Nationwide Furniture's new distribution facility in North Lawndale, and Quality Technology Services (QTS) data storage facility in the Lower West Side.

Tax incentives are also supporting the conversions of several Landmark office buildings as hotels. In fact, of the 6,000 new hotel rooms reportedly planned or under construction in the city, more than 1,000 rooms are moving forward through the Landmark tax incentive, including the Roanoke Building, Old Dearborn Bank, Northwest Tower, London Guarantee, Chicago Athletic Association Building, and Chicago Motor Club Building. These projects were announced on the heels of a record year that saw more than 75% of the city's 37,000 hotel rooms booked on a given night.

Another tax resource we continue to leverage to encourage job growth and business investment involves our Enterprise Zones, and I want to thank City Council for authorizing the department this month to pursue the re-designation of Chicago's six zones with the State of Illinois. We will be hosting community meetings in the weeks ahead as part of the re-designation process, and we look forward to continued cooperation with our delegate agencies to help local companies access this resource.

Our delegate agencies remain an essential part of our business assistance efforts, especially as they relate to our local industrial and commercial corridors. We will therefore continue

to provide funding assistance in the 2015 budget to the 13 LIRIs in our industrial corridors that support the manufacturers and companies located there.

Neighborhoods remain at the heart of all DPD's efforts, especially involving the multi-faceted work of our Zoning and Land Use Bureau. I would like to relate some current and future land use initiatives to promote development in our neighborhoods, and how our renewed planning focus is working hand-in-hand with our economic development and housing efforts.

An excellent example of this cooperation is on the Near West Side, where staff created a redevelopment plan this summer to preserve and enhance one of the most unique business corridors anywhere in the country. It's called the "Fulton Market Innovation District Plan", and it covers about 217 acres of largely industrial but increasingly commercial business uses. The 10,000 jobs in the area are projected to increase by 25% over the next two years with Google and other companies coming into the area. The plan is meant to maximize this economic growth while yet protecting the history and character of the area which has been the principal stimulant for that growth. The Plan was adopted with evident community support by the Chicago Plan Commission in July; a proposed historic district designation is pending.

Another bureau planning initiative involves the expansion of our Green Healthy Neighborhoods community improvement strategy to Pilsen/Little Village, where staff is working with residents and stakeholders to develop a land use plan to identify opportunities to improve green infrastructure, historic resources, parks and trails, productive landscapes, and retail resources. It will follow the same protocols as the plan produced for greater Englewood last year, and it will eventually be expanded to additional community areas.

Another important planning endeavor involves Pullman, where a pending National Historic Park designation would provide resources that maximize the area's unique potential as a

major tourist attraction. The designation would kick-off an approximately two-year planning effort to coordinate investment and growth in and around the new national park.

All these plans are designed around sustainability, specifically in terms of leveraging local assets that reinforce an area's function and viability. One of the division's most sustainable endeavors right now is occurring citywide, and that's promoting urban agriculture in appropriate locations.

In fact, under the Mayor, the number of existing and planned urban farms in Chicago has increased from two farms totaling about 1.5 acres in 2010, to more than a dozen farms totaling nearly 18 acres. As we look for creative ways to redevelop underutilized City-owned land, this number will continue to increase, providing new opportunities for fresh food in local neighborhoods, job training, and productive uses for vacant land.

We're improving land for more than farming, however. We are also providing resources for new parks and playgrounds, community gardens, and other spaces that enhance quality of life amenities for local residents. Approximately a dozen projects have moved forward this year with over \$2 million in Open Space Impact Fees, and several through TIF, land sales and other forms of assistance. One of the most unique was initiated this fall in Englewood, where the City will begin community-based planning to hopefully convert a 2.7-mile abandoned rail line into a linear park in the coming decade.

Many planning projects like these take years to accomplish, and that's true of one of the more noteworthy private projects to move forward this year: Wrigley Field. Our planning and historic preservation staff spent a lot of time and effort, and offered their considerable expertise, to work with the Cubs on their plan to prepare the park for another century of baseball. Construction started earlier this month.

A large portion of our activities involves the maintenance of the city's zoning code and ensuring that individual projects comply with its provisions. Already this year, staff has reviewed approximately 8,200 applications for zoning compliance, hundreds more for

proposed zoning changes, and nearly 40 new Planned Development proposals. Overall, we are seeing a 25% increase in zoning change applications over last year, which is a positive reflection of increased economic activity in the city generally. We are also working closely with the Department of Buildings to accelerate the time required for the entire building permit process. Our new budget includes an additional zoning reviewer, but we are also making improvements to the EPlan data system to eliminate roadblocks that prolong the permitting process. Our goal is to cut the amount of time that a permit is in our office by 30%, assuming that owners and architects cooperate with us in this effort.

Starting with a jobless rate of nearly 13%, foreclosures amounting to 30,000 in a year, a paralyzed banking and finance industry, and the loss of some 200,000 people, the City has managed to come a very long way in the last four years. This year alone, the City, through DPD assistance amounting to nearly \$400 million, will leverage over \$1 billion in private investment, a big part of the \$4 billion we were able to leverage since 2011 even as the effects of the Recession continued. I think this truly demonstrates Chicago's underlying economic strength, and its exceptional attractiveness as a place to live and work. It also shows how important it is for the City to invest in itself and in its residents and businesses.

We couldn't have done any of this without the able assistance and strong support of the City Council. I want to thank each of you for your dedication to your communities and to the welfare of the City. It has been a pleasure for me and my staff to work with you this past year.

While much work remains to be done, there are many exciting opportunities for us on the horizon. I look forward to bringing projects large and small to you for your consideration in 2015, which I think is going to be a good year indeed.

Planning and Development

2015 Budget Hearing

MBE/WBE Contracting Data

Period:1/1/14 – 9/30/14

Total Purchases: \$303,647,612.09

<u>MBE/WBE Spend</u>	
WBE:	\$18,942,830.80 (6.2%)
Asian MBE:	\$6,813,886.04 (2.2%)
African-American MBE:	\$52,447,474.85 (17.3%)
Hispanic MBE:	\$25,016,606.81 (8.2%)
Other MBE:	\$1,064,673.71 (0.4%)
Total Purchases:	\$104,285,472.21 (34.3%)

Staffing Data

Department Ethnicity and Gender				
	Male	Female	Total	%
Asian	6	5	11	5%
Black	20	51	71	34%
Hispanic	17	27	44	21%
White	48	36	84	40%
Total	91	119	210	
	43%	57%		

New Hires Ethnicity and Gender				
	Male	Female	Total	%
Asian	1	0	1	11%
Black	4	1	5	56%
Hispanic	1	0	1	11%
White	1	1	2	22%
Total	7	2	9	
	78%	22%		

Department Managers Ethnicity and Gender				
	Male	Female	Total	%
Asian	2	1	3	7%
Black	5	2	7	16%
Hispanic	4	5	9	21%
White	15	9	24	56%
Total	26	17	43	
	60%	40%		

Planning and Development

2015 Budget Hearing

Interns

School	Gender	Race
CPS	Female	Black
CPS	Male	Black
Chicago State University	Male	Black
DePaul	Female	Hispanic
DePaul	Male	Black
DePaul	Male	Asian
DePaul	Male	White
Loyola	Male	White
Loyola	Female	Asian
Loyola	Male	White
Loyola	Male	Asian
Loyola	Female	Hispanic
University of Chicago	Male	White
University of Chicago	Female	White
University of Illinois at Chicago	Female	Hispanic
University of Illinois at Chicago	Female	White
University of Illinois at Chicago	Female	Hispanic
University of Illinois	Male	Hispanic
University of Illinois	Male	White
University of Illinois	Male	Hispanic



City of Chicago

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Planned
Developments

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Administration