Department of Planning and Development
2017 Budget Statement
Commissioner David L. Reifman

Good afternoon Chairman Austin and honorable members of the City Council. Thank you for the opportunity to present the Department of Planning and Development's budget request for 2017. I'll use our time today to recap some of DPD's most important accomplishments over the last ten months and outline our goals for the coming year.

Our $167 million budget request has been developed to maintain or improve the City services and resources that your constituents and businesses deserve and expect.

The department's three specialized bureaus are committed to the Mayor's efforts to build a more equitable Chicago, where commercial investment, industrial growth, affordable housing, and other public and private development efforts reach every neighborhood in the city. To that end, we initiated several pioneering initiatives this year that will help leverage investment and facilitate growth throughout Chicago for years to come.

ZONING AND LAND USE BUREAU

The development of these new programs was largely coordinated by our Bureau of Zoning and Land Use, which continues to expand its purview involving community development strategies in conjunction with our Economic Development and Housing bureaus.

I'll start with our Neighborhood Opportunity initiative, which adopts a "one city" framework to move away from the false dichotomy of "downtown versus neighborhoods." Of course, both downtown and the neighborhoods are essential for the city to thrive.

Neighborhood Opportunity Bonus

The Neighborhood Opportunity ordinance is only a few months old so I'll refresh you on its function and four main purposes.

One, it simplified and updated the bonus system that developers use to increase the allowed density for downtown construction projects. Two, it expanded the downtown zoning district boundaries to reflect the growth that is taking place in many nearby areas. Three, it created a funding system that will provide new financial resources for commercial development projects in neighborhoods lacking private investment, as well as designated City landmarks and local infrastructure. And four, it identified "qualified investment areas" that are eligible to receive those funds.

The plan to build on the city's zoning bonus framework is one of the more creative and innovative concepts to develop new resources for neighborhoods that need investment. Previously, our downtown zoning system offered additional size and density to downtown projects in exchange for various benefits and amenities that today are typically located on site. It was a voluntary system that developers exploited to build bigger buildings by increasing the "Floor Area Ratio", or FAR, of a specific development.

Previously, there were 20 of these "zoning bonuses," including arcades, winter gardens, water features, and so on. Since early 2012, 24 projects used 38 bonuses to add about 17 percent more space to their projects, or about two million square feet. The new system eliminated most of these design-type bonuses that developers would generally include anyway. Today, the developer instead makes a payment on a single bonus, and the payment is then allocated automatically toward three separate funds, each with a specific purpose to enhance the city.

I'll provide more specifics in a moment, but the overall system works as follows:

The Neighborhood Opportunity Fund receives 80 percent of all bonus contributions to support commercial development projects in neighborhoods that lack significant private investment.

The citywide Adopt-A-Landmark Fund receives 10 percent of all bonus contributions to support the restoration of structures designated as official landmarks by City Council.

The local Impact Fund receives 10 percent of all bonus contributions to support improvements within a mile of the development site, including public transit, streetscapes, open spaces, infrastructure, river walks, and landmarks.

Developers are already submitting plans that involve contributions, most notably: the new 600,000-square-foot McDonald's headquarters in the West Loop; and the new Nobu Hotel in the West Loop.

We believe annual payments could routinely exceed $10 million per year, coinciding with building permit applications involving one or more phases of each construction project.

Downtown Expansion/Transit Oriented Development (TOD)

The new approach also expands the boundaries in which new development projects can seek Downtown (D) district zoning. The new system expands the recognized downtown geography in transit-served areas just outside the current boundaries by approximately 800 acres or 20 percent

The concept aligns what the department and urban economists have been saying for many years, that density is a good thing. In a broader sense, it's the logical continuation of our TOD ordinance by making public transit the first choice for people in the central area.

I'll quickly note that more than 40 total projects have used the TOD ordinance as of September 2016, creating nearly 3,200 units in the neighborhoods and nearly 1,900 units downtown. The Metropolitan Planning Council projects this trend to continue with up to 70,000 new housing units over the next 20 years.

It's also important to note that zoning in the expansion areas is not being proactively changed to a D district. Construction projects are able to apply for a D district zoning designation that appropriately reflects the size and scale of nearby properties and ongoing development trends.

Neighborhood Opportunity Fund

As I mentioned, the funding component of the ordinance is a critical way that we can help level the playing fields for our underserved neighborhoods, especially through the new Neighborhood Opportunity Fund. We need to do everything we can to put them on equal footing, specifically in terms of commercial uses. That means more jobs, goods and services that will create a foundation for more public and private investment and stability for these at-risk communities.

Neighborhood Opportunity funding will be allocated as grants to developers or small business owners in targeted neighborhood commercial corridor projects. Priority will be given to commercial projects that have a positive, catalytic impact on a commercial corridor; provide goods or services where those goods or services are lacking; have the potential to leverage other resources; and are economically viable and sustainable.

Eligible costs include building acquisition and rehabilitation; small business owner training and coaching; required public infrastructure; and local hiring subsidies. The recent opening of Englewood Square at 63rd and Halsted is a great example of the type of project the program will encourage in other eligible areas, though it far preceded the program's inception. However, we expect more projects like this to move forward.

Community commercial needs and targeted areas of investment will be informed by a community planning process such as the Chicago Neighborhoods Now framework process. The Department of Planning and Development will create a form for businesses, entrepreneurs, and developers to apply for the funds, along with rules and regulations for the fund's administration. Grant awards greater than $250,000 will require individual City Council approval and a redevelopment agreement with the City. Grant awards for less than $250,000 will be administered by DPD.

On an ongoing basis, DPD will publicly post information on all projects for which funds from the Neighborhoods Opportunity Fund have been expended, including posting all successful applications to the fund.

In addition, DPD will provide an annual report to the Mayor, the City Council, and the public detailing the receipt and expenditure of funds in the Neighborhoods Opportunity Fund.

The fourth component of the Neighborhood Opportunity system involves the qualified investment areas where Neighborhood Opportunity Funds can be allocated. These areas were determined by analysis of individual census tract data over the past 40 years, using widely accepted methods to determine concentrated disadvantages and relative poverty.

Most are on the West, Southwest, South, Southeast and Far South sides, where new investment will be critical to the people that live and work there, and to the city as a whole.

Industrial Corridor Modernization

Another priority this year is bringing modern land use parameters to our industrial corridors, which haven't been comprehensively updated in more than two decades.

About two-thirds of all the land that's zoned for manufacturing in the city is currently located within 26 designated corridors, some of which are transitioning to new uses, especially involving modern manufacturing and commercial redevelopment as offices as the central area continues to expand.

More than half the 26 corridors have Planned Manufacturing District (PMD) zoning designations that expressly limit or restrict certain uses. Chicago's industrial land use policies have not been updated in approximately 25 years and several corridors have since evolved into specific niches that serve specific purposes.

The process is starting with the North Branch, Pilsen and Little Village Corridors, and it's intended to accomplish three goals: to improve industrial land that has the potential for new or continued manufacturing growth; to unlock new economic growth where industrial use is decreasing; and to support local infrastructure and neighborhood competitiveness.

With your assistance we hope to move forward as efficiently as possible, so the city is in a great position to grow for another 25 years before this has to be looked at again. Our process will help achieve a balance for future growth while looking at the costs and benefits of what we're doing.

Framework plans will be developed for each corridor to guide optimum land uses, transportation and infrastructure improvements based on economic and physical analysis, user demands and market trends.

There will be key provisions that will result, including potential boundary changes that include land that is appropriate for industry and exclude land that has a greater potential for other uses.

Continued job growth and the protection of existing business and companies that provide critical services are at the forefront of our concerns, but we're confident the new land use parameters will protect their viability while also providing opportunities for new investment and revenue.

Zoning Review and Approval

These transformational initiatives are on top of the daily responsibilities of Planning Bureau staff, which by the end of the year will have reviewed approximately 20,000 applications for zoning compliance, hundreds more for proposed zoning changes, and more than 100 new Planned Development and Lakefront Protection proposals.

The projects that required PD and lakefront protection review have been substantial this year, including a new shopping center at Six Corners in Portage Park, a new mixed-use project at Cermak and Wabash on the Near South Side, a pair of new apartment buildings near Broadway and Grace in Lake View, new high-rises at 800 and 1000 S. Michigan downtown, several new projects moving forward at Navy Pier, and dozens more. Projects approved through June are valued at nearly $1.9 billion, and they're anticipated to create more than 6,000 permanent and temporary jobs.

Along with the city's future, the bureau is as equally committed to the city's legacy. Our historic preservation staff coordinated four formal landmark designations this year, including Stone Temple Baptist Church in North Lawndale, Marina City on the Near North Side and, by the end of the year, a trio of closed Chicago Public Schools buildings. Staff has also reviewed more than 1,300 permits involving protected buildings to date.

ECONOMIC DEVELOPMENT

All these projects are important to neighborhood growth, and I'd like to turn now to our Economic Development Bureau's work to create good jobs and services for local families. The assistance will help private companies retain and create nearly 11,000 temporary and permanent jobs by the end of the year, including many in small and medium-sized enterprises that form the backbone of the local economy.

Industrial Growth Zones

Again, the one-city approach underscores these efforts, especially the Industrial Growth Zones program announced this summer.

The program will accelerate development in five West, Southwest and Far South Side industrial areas over the next three years by removing longstanding hurdles to development and providing a broad set of services to support owners and businesses, especially the two primary issues cited as obstacles to industrial site investment: environmental conditions and government regulations.

Through the program, landowners within the Northwest, Greater Southwest, Burnside and Calumet Industrial Corridors, and the Roosevelt/Cicero Redevelopment Area are being provided access to a new site certification program designed to make information about their land available and transparent and prepare it for faster development. Landowners will also be eligible to receive up to $130,000 in financial assistance for environmental site assessments and remediation, plus free marketing to developers and companies.

Landowners interested in developing their property can enroll in the program online. Industrial developers and businesses interested in moving to or expanding in an Industrial Growth Zone will have access to an industrial concierge, who will be the single-point-ofcontact to guide them through local and state government issues. They will also receive streamlined development incentives; expedited permitting, licensing, and inspections; and assistance with workforce hiring and training. The only requirement for companies to participate in the program is that they partner with a local workforce agency to emphasize local hiring.

These areas will be extremely important as our industrial ecosystem continues to evolve and local companies refine their land use needs by expanding and sometimes relocating to more viable portions of the city.

Tax Increment Financing

I'll quickly turn to Tax Increment Financing as a development tool and the ongoing refinements that are making the program more effective than ever for neighborhoods in need.

Several major projects moved forward this year, including Whole Foods' new warehouse distribution plant in Pullman. The $32.4 million project received $8.4 million in TIF assistance to help pay for site preparation costs, including grading, demolition, and utility installation. The complex is replacing another facility in Munster, Indiana, and it will employ approximately 175 people when open in 2018.

Other notable TIF projects that moved forward this year include the mixed-use redevelopment of three vacant buildings in Portage Park's "Six Corners" shopping district. The $14.1 million project involves 71,000 square feet of rehabilitated and new commercial spaces that will create up to 150 permanent and 100 temporary jobs. Up to $2 million in TIF will be allocated in five installments to reimburse the developer for site preparation costs using increment generated from the project properties exclusively.

SBIF/TIFWorks

To help support small businesses, the Small Business Improvement Fund is on pace to provide more than 150 grants totaling more than $7 million in TIF assistance to help with produce more than $18 million in facility improvements. Average grant amounts are approximately $48,000. Meanwhile, our workforce development tool, TIFWorks, continues to resonate in local TIF districts, where it's on pace to finance training projects for more than 16 businesses that are seeking to boost efficiencies, reduce costs, and increase output. Average TIFWorks grant per employee is approximately $8,280.

As usual under the mayor, the bulk of TIF revenues are being used for local infrastructure, parks and open space, schools, and affordable housing. In fact, since 2011, approximately two-thirds of the $1.3 billion in allocated TIF funds has been used for street and bridge improvements, CTA station upgrades, school projects, and housing construction for low-income residents and seniors. Most of the remainder was used to support important private development projects, half of which were in local neighborhoods.

Of course, we look forward to your cooperation involving the Diversey/Chicago River TIF, which will support the affordable housing within the redevelopment of historic Lathrop Homes and the extension of the Stockyards SE Quadrant TIF .

Property Tax Incentives

Many of the new jobs supported by DPD in 2016 involved the strategic use of our property tax incentives, which foster redevelopment of qualifying industrial and commercial properties by reducing the standard Cook County tax rates for a period of 12 years. Through June, total permanent and temporary jobs to be retained and created through the property tax programs exceed 2,500.

New tax incentive projects in 2016 include the renovation of a 104,000-square-foot distribution building at 1001 E. 99th St. in Burnside; improvements to a 50,000-square-foot industrial building at 4237 W. 42nd Place in Archer Heights; environmental remediation work at a contaminated industrial property at 5480 N. Northwest Highway in Jefferson Park; the rehabilitation of a 99,000-square-foot industrial building at 6460 W. Cortland St. in Austin; the renovation of a 48,000-square-foot industrial building at 717 S. Des Plaines St. on the Near West Side; and the construction of an $8 million Best Western boutique hotel at 6501 S. Cicero Ave. near Midway Airport.

Land Sales

The bureau's Real Estate Division in 2016 sold a variety of City-owned properties for local redevelopment projects. Next month, we hope to introduce to City Council the proposed sale of 21 acres of vacant land at 4300 W. Roosevelt Road in North Lawndale for a multi-phase, 380,000-square foot industrial and commercial complex that will generate more than 700 permanent and temporary jobs.

Through June, approved land sale projects in 2016 will result in more than $625 million in total project costs as well as the creation and retention of more than 750 permanent and temporary jobs. The projects include a new child development center on the 3100 block of West Ogden Avenue in North Lawndale; a new school building at 63rd Street and Greenwood Avenue for the University of Chicago Charter Schools' Woodlawn Campus; a new hockey training center for the Chicago Blackhawks; an academic campus for Rush St. Lukes on the Near West Side; and a recycling facility at 1301 W. Exchange Ave. in the Stockyards Industrial Corridor.

Of course, DPD's delegate agencies remain an essential part of our business assistance efforts, especially as they relate to our local industrial and commercial corridors. We will continue to provide funding assistance in the 2017 budget to the 10 LIRIs that support local manufacturers and industrial firms. We will also continue to work with the boards of 52 Special Service Areas to ensure the safety, aesthetics, and marketing for local shopping districts are well served.

HOUSING

I'd like to conclude my statement with our Housing Bureau, and specifically the status of our "Five Year Housing Plan," which is guiding more than $1.3 billion in spending to create, improve, and preserve more than 41,000 units of housing citywide.

For 2016, DPD has projected commitments of more than $250 million to assist more than 8,000 units of housing. Through the second quarter of 2016, the Department committed more than $101 million in funds to support 4,065 units, which represents approximately half of our unit and resources allocation goals.

Since 2011, DPD has supported more than 38,400 homes throughout the city, including nearly 2,000 senior units.

Large Lots

The Large Lots program continues to resonate in local neighborhoods since being identified in the Mayor's Five-Year Housing Plan. To date, more than 550 lots have been sold in Greater Englewood, East Garfield Park, Austin, Roseland and Pullman. Another 30 in Auburn Gresham are pending City Council approval. About 9,300 city-owned, vacant, R-zoned lots remain available citywide.

More than half of the sales are directly adjacent to owner's property, 24 percent are less than five lots away, and 22 percent more than five lots away. An ongoing U.S. Forest Service Study is helping to assess the impact of the sales. Nearly half of large lot owners made changes in the first season, including cleanup, fence installation, turf improvements, and the creation of social and recreational equipment. Approximately half of the lots are actively managed and about one-fifth are actively gardened. Researchers are also indicating that lot buyers have noticed more community cohesion, more social interaction, and quieter and safer blocks

With Council's assistance, and through the ongoing collaboration of our Zoning & Land Use and Economic Development bureaus, the department will continue to expand the program to other communities, so more residents can literally take ownership of their neighborhoods and transform formerly vacant lots into neighborhood assets.

Multi-Family Projects

Our multi-family construction projects continue to move forward citywide, providing safe and affordable housing for residents earning 60 percent or less of the area median income. New projects coming online in 2017 or later include the 24-unit Trianon Lofts apartments in Woodlawn; the 60-unit Magnolia Courts Apartments complex in Uptown; the 200-unit Villages of Westhaven on the Near West Side; and the 102-unit Lawn Terrace Senior Apartments in West Lawn.

Through June, our multi-family housing commitments are supporting nearly2,300 units with $63 million in direct assistance. These include new and rehabbed units made possible through our multi-family loan and tax credit programs, as well as Tax Increment Financing.

Several City-supported projects have opened in 2016, including La Casa Norte on North Avenue in Humboldt Park, which created 25 units of permanent affordable housing and a variety of health, wellness, and homeless prevention services thanks to $3.5 million in TIF and $4 million in multi-family loans. Another one is Rosenwald Courts at 47th Street and Michigan Avenue in Grand Boulevard. Developed by Rosenwald Courts Developers LLC with financial support from the City of Chicago and the CHA, the $132 million involved the rehabilitation of 239 one- and two-bedroom units for seniors and families. City support included $25 million in Tax Increment Financing; $41.8 million in Low Income Housing Tax Credit equity; a $17.4 million CHA loan; an $8.5 million loan from the Neighborhood Stabilization Program; $2.9 million in donations tax credit equity; and a $65.6 million bond issue to bridge financing during construction. Five adjacent City-owned lots, valued at $155,000, were also sold to the developer for $1 each for parking.

Other projects included the 84-unit Newberry Park apartments on the Lower West Side, the 34-unit St. Edmund's Tower Annex in Washington Park, the 70-unit Cicero & George Senior Apartments in Belmont Cragin, and the 50-unit Senior Residences on Kedzie in Albany Park.

Affordable Requirements Ordinance

I'd like to quickly update you on the 2015 Affordable Requirements Ordinance, which turns a year old this month. It's expected to create more than 1,200 new units of affordable housing and generate $90 million for affordable housing purposes over the next five years.

New ARO fees range from $50,000 in low-moderate income areas, $125,000 in higher income areas, and $175,000 downtown. The amended ordinance also requires one-quarter of the required affordable housing obligation to be provided on-site or nearby, while providing developers with more options to meet their obligations, especially near public transit.

Projects typically take at least six months from application to building permit – often much longer – so projects that submitted in October and later are just beginning to move to the construction phase. While we are tracking 87 new 2015 ARO projects, representing 642 new affordable units or in-lieu fees, only three projects have received permits to date.

Rest assured that fears of a stronger ARO slowing development appear unfounded considering the number of projects applying for zoning changes increased by nearly 40 percent this year, compared to the same period last year.

Single Room Occupancy

Another improved affordable housing tool, the Single Room Occupancy Preservation Initiative, which seeks to preserve SROs as housing of the last resort in many neighborhoods.

We hope to save 700 SRO units over the next five years through an improved ordinance passed two years ago. In addition to the Mark Twain Hotel on the Near North Side and the Palmer-Sawyer in Logan Square, another SRO building we're working to preserve is the Carling Hotel on the Near North Side, which is planned for a $27.4 million renovation. As required by the ordinance, the Carling's owner notified the City of its intent to sell in January 2015. The City is acquiring the property for $10 million and then transferring it to Michaels Development Co. for $3.8 million. Funding sources for the acquisition include the SRO Preservation Initiative and the Affordable Housing Opportunity Fund, both of which are supported by fees paid by market rate development projects.

Chicago Low Income Housing Trust Fund

The Chicago Low Income Housing Trust Fund will meanwhile continue to serve the needs of many renters who are unable to meet their housing expenses. In 2016, the Trust Fund committed monthly rental subsidies on behalf of 2,960 Chicago households, including many veterans, female-headed households, and people living with HIV/AIDS. We anticipate the Trust Fund will support at least that many households in 2016, thanks in part to an upswing in downtown Density Bonus contributions to the Affordable Housing Opportunity Fund, which supports the program.

606 Loan Program/SARFS/TIF-NIP/Roof & Porch

Another important program is the 606 Bloomingdale Trail Homeowners Forgivable Loan Program, which provides home improvement loans to qualified owner-occupants of one- to four-unit properties within two blocks of the 2.7-mile 606 trail through Logan Square, Humboldt Park and West Town. While the trail has been a fantastic amenity that is fostering many neighborhood improvements and private investments, some long-time residents are concerned about affordability, which this program addresses. The loans do not have to be repaid.

Other programs that support property owners include the Small Accessible Repairs for Seniors program; the TIF-Neighborhood Improvement Program (NIP); the Roof and Porch Program; and Emergency Heating Program, which continue to be our most popular housing assistance initiatives, affecting more than 1,300 households annually. These programs and others are partly managed by the more than 85 neighborhood-based delegate agencies and not-for-profit organizations that DPD will continue to fund in the proposed 2017 budget.

In closing, I want to reiterate the department's commitment to affordable housing, jobs, and the quality-of-life enhancements that they make possible for residents, businesses, and workers. We will continue to work with you and your constituents to identify and implement community improvement projects that enhance Chicago as one city for all people.

Thank you.