
1998 Annual Report

43rd and Damen
Redevelopment Project Area



Pursuant to Mayor's
Executive Order 97-2

JUNE 30, 1999



City of Chicago
Richard M. Daley, Mayor

Department of Planning
and Development

Christopher R. Hill
Commissioner

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June 30, 1999

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

Ladies and Gentlemen:

The attached information for the 43rd and Damen Redevelopment Project Area, along with 63 other individual reports, is presented pursuant to the Mayoral Executive Order 97-2 (Executive Order) regarding annual reporting on the City's tax increment financing (TIF) districts. The City's TIF program has been used to finance neighborhood and downtown improvements, leverage private investment, and create and retain jobs throughout Chicago.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Hill".

Christopher R. Hill
Commissioner
Department of Planning and Development

A handwritten signature in black ink, appearing to read "Walter Knorr".

Walter K. Knorr
Chief Financial Officer



June 30, 1999

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

Commissioner Hill:

Enclosed is the required annual report for the 43rd and Damen Redevelopment Project Area, which we compiled at the direction of the Department of Planning and Development pursuant to the Mayor's Executive Order 97-2. The contents are based on information provided to us by the Chicago Departments of Planning and Development, Finance, and Law Department. We have not audited, verified, or applied agreed upon procedures to the data contained in this report. Therefore, we express no opinion on its accuracy or completeness.

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

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

Very truly yours,

Ernst & Young LLP

Ernst & Young LLP

43rd and Damen Redevelopment Project Area 1998 Annual Report

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43rd and Damen Redevelopment Project Area 1998 Annual Report

Purpose of Report:

The purpose of the Annual Report for the 43rd and Damen Redevelopment Project Area (Report) is to provide information regarding the City of Chicago (City) tax increment financing (TIF) districts in existence on December 31, 1998, as required by the Mayor's Executive Order 97-2 (Executive Order). This Report covers the 43rd and Damen Redevelopment Project Area (Project Area).

Methodology:

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

(a) General Description

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

(b) Date of Designation and Termination

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

(c) Copy of Redevelopment Plan

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

43rd and Damen Redevelopment Project Area 1998 Annual Report

(d) Description of Intergovernmental and Redevelopment Agreements

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

(e) Description of TIF Projects

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

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

43rd and Damen Redevelopment Project Area 1998 Annual Report

(f) Description of all TIF Debt Instruments

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

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

(g) Description of City Contracts

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

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

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(h) Summary of Private and Public Investment Activity

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

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

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

(i) Description of Property Transactions

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

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

43rd and Damen Redevelopment Project Area 1998 Annual Report

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

(j) Financial Summary Prepared by the City Comptroller

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

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

(k) Description of Tax Receipts and Assessment Increments

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

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

43rd and Damen Redevelopment Project Area 1998 Annual Report

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

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

(l) Certain Contracts of TIF Consultants

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

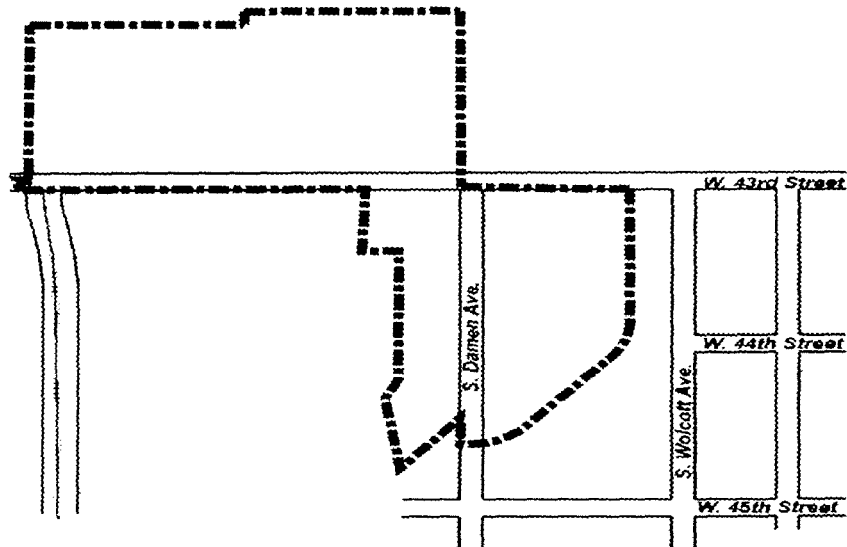
(m) Compliance Statement Prepared by an Independent Public Accountant

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

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(a) GENERAL DESCRIPTION

The Project Area is generally bounded on the north by a boundary line which is approximately one block north of West 43rd Street, on the east by a boundary line between South Damen and South Wolcott avenues, on the south by a boundary line which runs between 45th Street and 43rd Street, and on the west by B & O Railroad. The map below illustrates the location and general boundaries of the Project Area. For precise boundaries, please consult the legal description in the Redevelopment Plan (Attachment).



43rd and Damen Redevelopment Project Area 1998 Annual Report

(b) DATE OF DESIGNATION AND TERMINATION

The Project Area was designated by the Chicago City Council on August 3, 1994. The Project Area may be terminated no later than August 3, 2017.

(c) COPY OF REDEVELOPMENT PLAN

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

(d) DESCRIPTION OF INTERGOVERNMENTAL AND REDEVELOPMENT AGREEMENTS

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

**43rd and Damen Redevelopment Project Area
1998 Annual Report**

(e) DESCRIPTION OF TIF PROJECT(S)

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

**43rd and Damen Redevelopment Project Area
1998 Annual Report**

(f) DESCRIPTION OF TIF DEBT INSTRUMENTS

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

**43rd and Damen Redevelopment Project Area
1998 Annual Report**

(g) DESCRIPTION OF CITY CONTRACTS

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

<u>CONTRACTING PARTIES WITH THE CITY OF CHICAGO</u>	<u>DATE OF EXECUTION</u>	<u>PURPOSE</u>	<u>AMOUNT OF COMPENSATION PAID IN 1998</u>	<u>PERCENT OF COMPENSATION PAID TO DATE</u>
Bansley & Kiener	1998	Studies/Plan/Admin.	\$1,250	100%
Ernst & Young	1998	Studies/Plan/Admin.	\$4,616	100%
City TIF Program Administration	1998	Studies/Plan/Admin.	\$4,671	100%

**43rd and Damen Redevelopment Project Area
1998 Annual Report**

(h) SUMMARY OF PRIVATE AND PUBLIC INVESTMENT ACTIVITY

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

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

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of cash activities on page 9 and the schedule of expenditures by statutory code on page 10, which are also the responsibility of the City of Chicago's management, are presented for purposes of additional analysis and are not a required part of the financial statements of 43rd and Damen Redevelopment Project of the City of Chicago, Illinois. Such additional information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

Bancley and Kiener, L.L.P.

Certified Public Accountants

May 4, 1999

CITY OF CHICAGO, ILLINOIS
43RD AND DAMEN REDEVELOPMENT PROJECT

BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

<u>A S S E T S</u>	<u>1998</u>	<u>1997</u>
Cash and investments	\$291,354	\$159,043
Property taxes receivable	138,000	105,000
Accrued interest receivable	<u>7,673</u>	<u>3,389</u>
Total assets	<u>\$437,027</u>	<u>\$267,432</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Due to other City funds	\$ 4,671	\$ 3,227
Deferred revenue	<u>136,958</u>	<u>105,000</u>
Total liabilities	141,629	108,227
Fund balance	<u>295,398</u>	<u>159,205</u>
Total liabilities and fund balance	<u>\$437,027</u>	<u>\$267,432</u>

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

CITY OF CHICAGO, ILLINOIS
43RD AND DAMEN REDEVELOPMENT PROJECT
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
Revenues		
Property tax	\$139,057	\$ 98,106
Interest	<u>7,673</u>	<u>3,405</u>
Total revenues	146,730	101,511
Expenditures		
Capital projects	<u>10,537</u>	<u>3,227</u>
Revenues over expenditures	136,193	98,284
Fund balance, beginning of year	<u>159,205</u>	<u>60,921</u>
Fund balance, end of year	<u>\$295,398</u>	<u>\$159,205</u>

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

CITY OF CHICAGO, ILLINOIS
43RD AND DAMEN REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Description of Project

The 43rd and Damen Tax Increment Redevelopment Project Area (Project) was established in August 1994. The area has been established to finance improvements, leverage private investment and create and retain jobs. Reimbursements, if any, are made to the developer for project costs, as public improvements are completed and pass City inspection.

Basis of Accounting

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

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

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

Management's Use of Estimates

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

Illinois Tax Increment Redevelopment Allocation Act Compliance

The Project's expenditures include reimbursements for various eligible costs as described in subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act and the Redevelopment Agreement relating specifically to the Project. Eligible costs include but are not limited to survey, property assembly, rehabilitation, public infrastructure, financing and relocation costs.

CITY OF CHICAGO, ILLINOIS
43RD AND DAMEN REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Investments

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

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

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

Property Taxes

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

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

- 7 -

YEAR 2000 READINESS DISCLOSURE (UNAUDITED)

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

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

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

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

Remediation Stage - Making changes to systems and equipment.

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

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

Mission Critical Applications

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

Embedded Systems

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

YEAR 2000 READINESS DISCLOSURE (UNAUDITED)
(Continued)

Other Considerations

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

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

SUPPLEMENTARY INFORMATION

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

	<u>1998</u>	<u>1997</u>
Cash flows from operating activities		
Property taxes received	\$138,015	\$ 98,106
Payments for capital projects	(9,093)	-
Interest received	<u>3,389</u>	<u>16</u>
Increase in cash and investments	132,311	98,122
Cash and investments, beginning of year	<u>159,043</u>	<u>60,921</u>
Cash and investments, end of year	<u>\$291,354</u>	<u>\$ 159,043</u>
Reconciliation of revenues over expenditures to net cash provided by operating activities		
Revenues over expenditures	\$136,193	\$ 98,284
Adjustments to reconcile revenues over expenditures to net cash provided by operating activities		
Changes in assets - (increase)		
Property tax receivable	(33,000)	(105,000)
Accrued interest receivable	(4,284)	(3,389)
Changes in liabilities - increase		
Due to other City funds	1,444	3,227
Deferred revenue	<u>31,958</u>	<u>105,000</u>
	<u>\$132,311</u>	<u>\$ 98,122</u>

SCHEDULE OF EXPENDITURES BY STATUTORY CODE

<u>Code Description</u>	<u>1998</u>	<u>1997</u>
Costs of studies, surveys, development of plans and specifications, implementation and administration of the redevelopment plan including but not limited to staff and professional service costs for architectural, engineering, legal, and marketing	<u>\$10,537</u>	<u>\$3,227</u>

**43rd and Damen Redevelopment Project Area
1998 Annual Report**

(k) DESCRIPTION OF TAX RECEIPTS AND ASSESSMENT INCREMENTS

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

<u>YEAR</u>	<u>MUNICIPAL SALES TAX INCREMENT</u>	<u>STATE SALES TAX INCREMENT</u>	<u>MUNICIPAL UTILITY TAX INCREMENT</u>	<u>NET STATE UTILITY TAX INCREMENT</u>	<u>INITIAL EAV</u>	<u>TOTAL 1997 EAV</u>	<u>TOTAL INCREMENTAL PROPERTY TAXES 1997</u>
1998	N.A. (1)	N.A. (1)	N.A. (1)	N.A. (1)	\$5,395,485	\$6,840,621	\$137,873

(1) N.A. - not applicable.

43rd and Damen Redevelopment Project Area 1998 Annual Report

(I) CERTAIN CONTRACTS OF TIF CONSULTANTS

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

**43rd and Damen Redevelopment Project Area
1998 Annual Report**

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

EDWARD J. JULLIAN CPA
ROBERT J. MARSHALL CPA
FRANK J. JACOBSON CPA
PAUL L. MERKEL CPA
THOMAS A. TAYLOR CPA
JOHN A. DANEA CPA
THOMAS A. TERPIL CPA
STEPHEN R. PANFILI CPA
MICHAEL D. HUELS CPA
ROBERT J. MARSHALL CPA
THOMAS J. CAPLICE CPA
ROBERT J. HANNIGAN CPA
GERARD J. PATER CPA
VINCENT M. GUZALDO CPA
TIMOTHY J. QUINN CPA

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

Established 1922

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with generally accepted auditing standards, the balance sheet of 43rd and Damen Redevelopment Project of the City of Chicago, Illinois as of December 31, 1998, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and have issued our report thereon dated May 4, 1999.

In connection with our audit, nothing came to our attention that caused us to believe that the Project failed to comply with the regulatory provisions in Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Allocation Redevelopment Act and Subsection (o) of Section 11-74.6-10 of the Illinois Industrial Jobs Recovery Law as they relate to the eligibility for costs incurred incidental to the implementation of the 43rd and Damen Redevelopment Project of the City of Chicago, Illinois.

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

Bansley and Kiener, L.L.P.

Certified Public Accountants

May 4, 1999

**43rd and Damen Redevelopment Project Area
1998 Annual Report**

**ATTACHMENT
REDEVELOPMENT PLAN**

**43rd AND DAMEN
TAX INCREMENT REDEVELOPMENT PROJECT**

PLAN AND PROJECT

**Prepared for:
The City of Chicago**

**By:
Camiros, Ltd.**

April, 1994

This plan is subject to review and may be revised after comment and public hearing

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43RD AND DAMEN
TAX INCREMENT REDEVELOPMENT
PLAN AND PROJECT

1.
INTRODUCTION

This document presents the recommended Tax Increment Redevelopment Plan and Project for the 43rd and Damen industrial area located in the Stockyards Industrial Corridor on Chicago's south side. The plan and project respond to problem conditions including the presence of numerous blighting factors, and a lack of private investment within the study area, and reflect the commitment by the City of Chicago to improve and revitalize the Redevelopment Project Area. Private development and investment in the area cannot be reasonably expected to occur without the leadership and assistance of the City including the adoption of this Redevelopment Plan and Project, and the use of tax increment financing.

Tax Increment Financing

In adopting the Tax Increment Allocation Redevelopment Act, the Illinois State Legislature found that

"...there exist in many municipalities within this State blighted, conservation and industrial park conservation areas; that the conservation areas are rapidly deteriorating and declining and may soon become blighted areas if their decline is not checked...It is hereby found and declared that in order to promote and protect the health, safety, morals, and welfare of the public, that blighted conditions need to be eradicated and conservation measures instituted, and that redevelopment of such areas be undertaken...The eradication of blighted areas and treatment and improvement of conservation areas and industrial park conservation areas is hereby declared to be essential to the public interest."

In order to use the tax increment financing technique, a municipality must first establish that the proposed redevelopment project area meets the statutory criteria for designation as a "blighted area", a "conservation area" or an "industrial conservation area". A redevelopment plan must then be prepared which describes the development or redevelopment program intended to be undertaken to reduce or eliminate those conditions which qualified the redevelopment project area as a "blighted area", "conservation area", or combination thereof, or "industrial conservation area", and thereby enhance the tax bases of the taxing districts which extend into the redevelopment project area. Redevelopment projects are defined as any public or private development projects undertaken in furtherance of the objectives of the redevelopment plan.

The legislation requires that each redevelopment plan set forth in writing the program which will be undertaken to accomplish the municipality's redevelopment objectives. The Act also states that

"No redevelopment plan shall be adopted unless.... (1) The municipality finds that the redevelopment project area on the whole has not been subject to growth and development through investment by private enterprise and would not be reasonably be anticipated to be developed without the adoption of the redevelopment plan, (2) The municipality finds that the redevelopment plan and project conform to the comprehensive plan for the development of the municipality as a whole, or for municipalities with a population of 100,000 or more, regardless of when the redevelopment plan and project was adopted, the redevelopment plan and project either: (i) conforms to the strategic economic development or redevelopment plan issued by the designated planning authority of the municipality, or (ii) includes land uses that have been

approved by the planning commission of the municipality, (3) The redevelopment plan establishes the estimated dates of completion of the redevelopment project and retirement of obligations issued to finance redevelopment project costs. Those dates shall not be more than 23 years from the adoption of the ordinance approving the redevelopment project area, if the ordinance was adopted on or after January 15, 1981, and not more than 35 years if the ordinance was adopted before January 15, 1981 or if the municipality is subject to the Local Government Financial Planning and Supervision Act..., (4) The municipality finds, in the case of an industrial park conservation area, also that the municipality is a labor surplus municipality and that the implementation of the redevelopment plan will reduce unemployment, create new jobs and by the provision of new facilities enhance the tax base of the taxing districts that extend into the redevelopment project area. (5) If any incremental revenues are being utilized under Section 8(a)(1) or 8(a)(2) of this Act in redevelopment project areas approved by ordinance after January 1, 1986, the municipality finds (a) that the redevelopment project area would not reasonably be developed without the use of such incremental revenues, and (b) that such incremental revenues will be exclusively utilized for the development of the redevelopment project area."

Pursuant to the provisions contained in the Act, the City of Chicago has authorized an evaluation of whether a portion of the 43rd and Damen industrial area qualifies for designation as a "blighted area" and, if the area so qualifies, the preparation of a redevelopment plan for the redevelopment project area in accordance with the requirements of the Act.

The 43rd and Damen Redevelopment Project Area

The 43rd and Damen Redevelopment Project Area is located within the Stockyards Industrial Corridor on Chicago's south side. The Redevelopment Project Area is generally bounded by the east line of the east 1/2 of the NW 1/4 of Section 6-38-14, then east along the south right-of-way line of 43rd Street to a point approximately 130 feet west of the west right-of-way line of Wolcott Avenue, then generally southwest along the Chicago River and Industrial Railroad Company right-of-way to the east right-of-way line of Damen Avenue, then west to the west right-of-way line of Damen Avenue, then north approximately 110 feet, then southwest along the southeastern property line of tax parcel 20-06-301-014, then generally north along the western property line of said parcel, continuing north along the western property line of tax parcel 20-06-301-010 to a point approximately 250 feet south of the south right-of-way line of 43rd Street then west approximately 100 feet, then north approximately 250 feet to the south right-of-way line of 43rd Street, then west approximately 1,060 feet, then north to the north right-of-way line of 43rd Street, then east to the west line of the east 1/2 of the NW 1/4 of Section 6-38-14, then north a distance of approximately 625 feet, then east a distance of approximately 660 feet, then north a distance of approximately 28 feet, then east a distance of approximately 655 feet to the east line of the east 1/2 of the NW 1/4 of Section 6-38-14 then south to the point of beginning. The 43rd and Damen Redevelopment Project Area is approximately 35.96 acres in size and is bordered on the east by the Stockyards Tax Increment Financing District which was established in 1989.

The 43rd and Damen Redevelopment Project Area has not been subject to growth and development by private enterprise. An analysis of conditions within the redevelopment project area indicates that it is appropriate for designation as a redevelopment project in accordance with the State of Illinois tax increment financing legislation.

The analysis disclosed that the area was originally developed without the benefit or guidance of overall community planning, and that the area does not meet basic standards and guidelines for contemporary development. As a result of these and other factors, the area is characterized by conditions that warrant the designation of the entire area as a "blighted area" under the definitions set forth in the Tax Increment Allocation Redevelopment Act of the State of Illinois (hereinafter referred to as the "Act").

The 43rd and Damen Redevelopment Plan and Project have been formulated in accordance with the provisions of the Act. This document is a guide to all proposed public and private actions in the Redevelopment Project Area.

2. REDEVELOPMENT PROJECT AREA DESCRIPTION

The 43rd and Damen Redevelopment Project Area is generally bounded by the east line of the east 1/2 of the NW 1/4 of Section 6-38-14, then east along the south right-of-way line of 43rd Street to a point approximately 130 feet west of the west right-of-way line of Wolcott Avenue, then generally southwest along the Chicago River and Industrial Railroad Company right-of-way to the east right-of-way line of Damen Avenue, then west to the west right-of-way line of Damen Avenue, then north approximately 110 feet, then southwest along the southeastern property line of tax parcel 20-06-301-014, then generally north along the western property line of said parcel, continuing north along the western property line of tax parcel 20-06-301-010 to a point approximately 250 feet south of the south right-of-way line of 43rd Street then west approximately 100 feet, then north approximately 250 feet to the south right-of-way line of 43rd Street, then west approximately 1,060 feet, then north to the north right-of-way line of 43rd Street, then east to the west line of the east 1/2 of the NW 1/4 of Section 6-38-14, then north a distance of approximately 625 feet, then east a distance of approximately 660 feet, then north a distance of approximately 28 feet, then east a distance of approximately 655 feet to the east line of the east 1/2 of the NW 1/4 of Section 6-38-14 then south to the point of beginning. The boundaries of the Redevelopment Project Area are shown in Figure 1. The Redevelopment Project Area is approximately 35.96 acres in size.

A legal description of the Redevelopment Project Area is included as Appendix A of this document. The proposed redevelopment project area includes only contiguous parcels, qualifies for designation as a "blighted area" and is not less than 1-1/2 acres in aggregate as required by the Act. The proposed Redevelopment Project Area includes only that area which is anticipated to be substantially benefited by the proposed redevelopment project improvements.

The 43rd and Damen Redevelopment Project Area is located in the Stockyards Industrial Corridor. The Redevelopment Project Area presently consists of 24 parcels of vacant and improved industrial property under multiple ownerships. Five tax parcels in the study area are railroad property. A review of City zoning and base maps indicates that this area once contained many rail spurs which no longer exist.

The predominant land use in the Redevelopment Project Area is warehouse and distribution. Other industrial uses surround the redevelopment project area. The present land use distribution is shown in Figure 2.

The Redevelopment Project Area is presently zoned as a M2-3 General Manufacturing District east of Damen and as a M3-5 Heavy Manufacturing District west of Damen(Figure 3).

The Dry Storage Corporation is the largest property owner in the Redevelopment Project Area. Dry Storage holdings include approximately 620,000 square feet of warehouse space divided among six buildings on slightly less than 18 acres of land.

Truck access to the Redevelopment Project Area is provided via 43rd Street. Damen Avenue is elevated through the Redevelopment Project area and does not provide direct truck access. Pedestrian access is provided by two stairways from Damen Avenue to 43rd Street below. 43rd Street is paved, however, other public and private rights-of-way serving the study area exist as unimproved dirt and gravel roadways.

The area was developed in two major waves. The earliest buildings were built in the early 1900's and include two large multi-story warehouses and two smaller industrial buildings. These buildings are located in the southeast quadrant of the study area and were designed to take advantage of the numerous rail spurs that served the area. The remaining buildings in the study area were built between 1962 and 1974. It was during this period that the area assumed its current identity as a strong warehouse and distribution district.

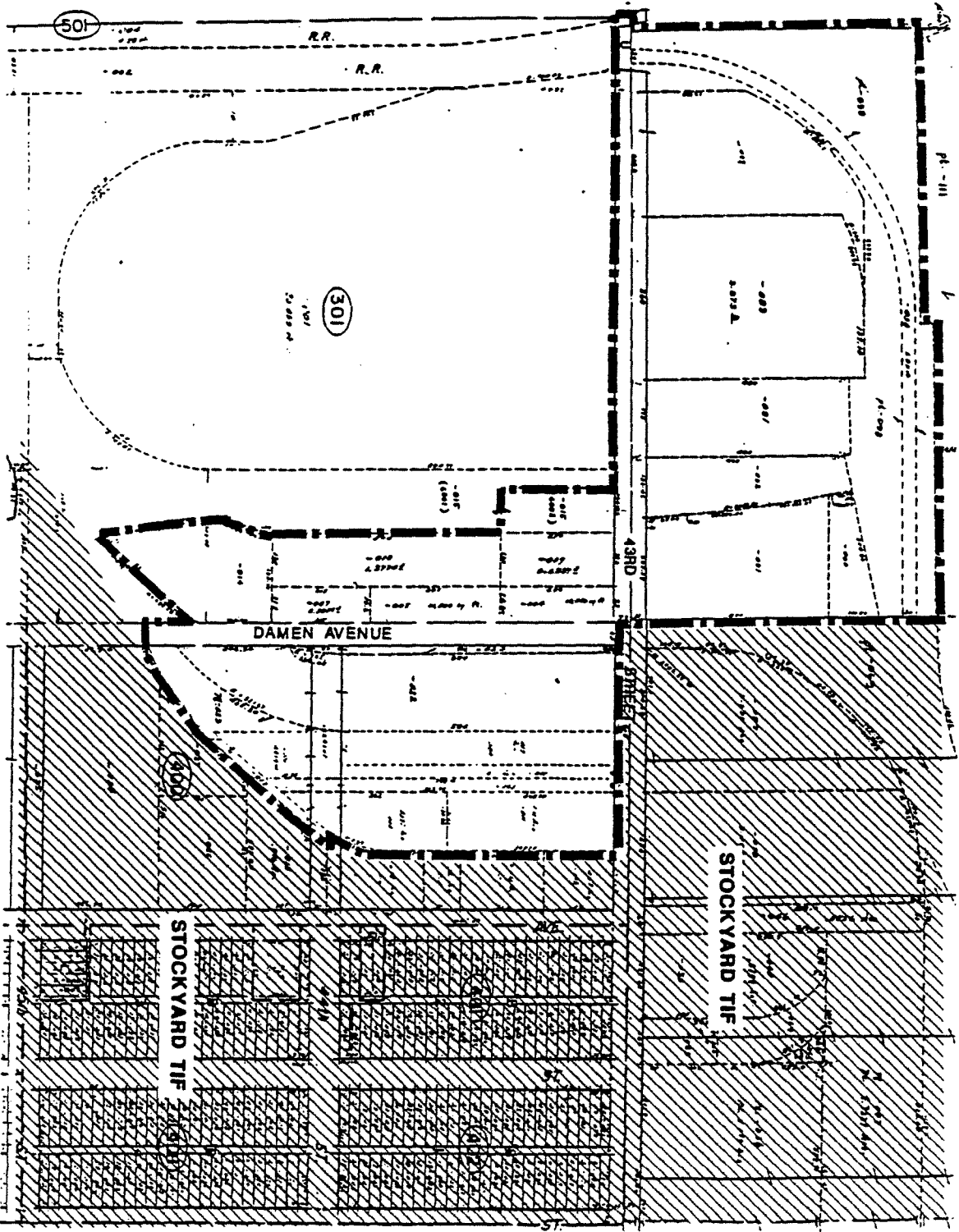


Figure 1
 43rd & Damen
 Redevelopment Project Area



Prepared by:
 Camiros Ltd.
 411 South Wells Street
 Chicago, Illinois 60607

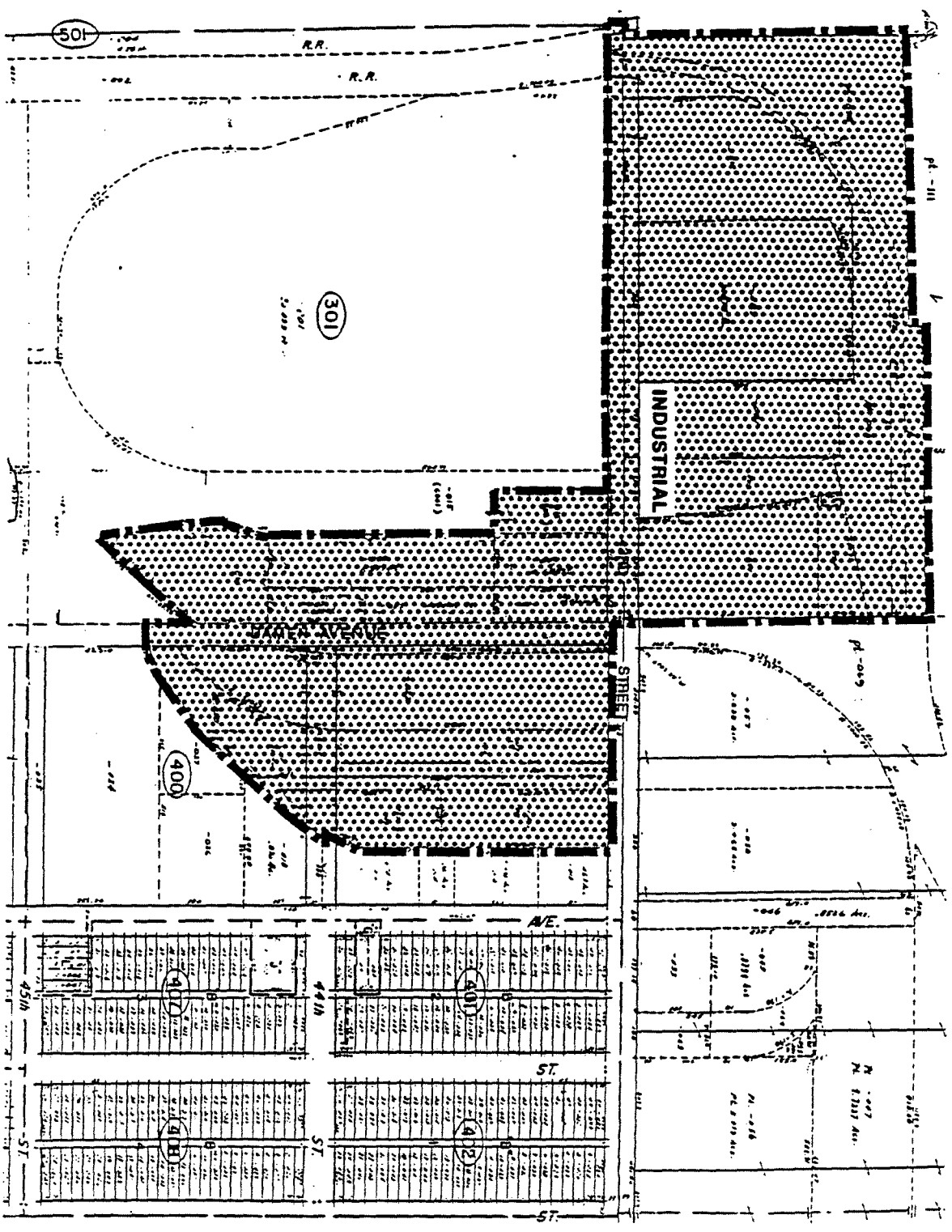


Figure 2
Existing Land Use



Prepared by:
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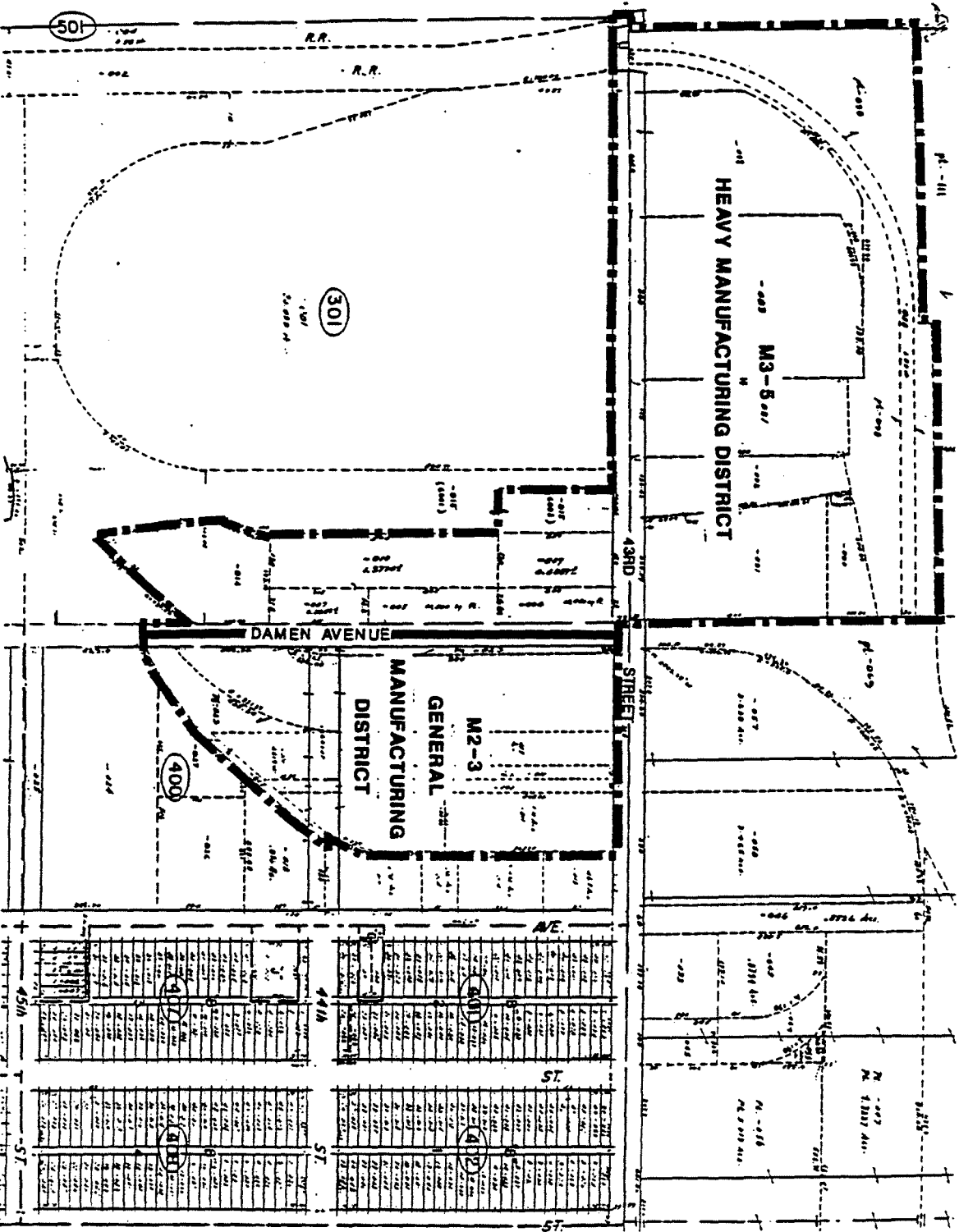


Figure 3
Existing Zoning



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**3.
ELIGIBILITY OF THE PROJECT AREA FOR DESIGNATION AS A BLIGHTED
AREA**

The 43rd and Damen Redevelopment Project Area on the whole has not been subject to growth and development through investment by private enterprise. Based on the conditions present, the area is not likely to be developed without the adoption of the redevelopment plan.

In February, 1994 a study was undertaken to establish whether the proposed redevelopment project area is eligible for designation as a blighted area in accordance with the requirements of the "Real Property Tax Increment Allocation Development Act." This analysis concluded that the area qualifies as a blighted area.

Of the 14 factors cited in the Act, 8 factors are present within the 43rd and Damen Redevelopment Project Area. Five are required in order for the area to be designated as blighted. The following blighting factors were found to be present within the Redevelopment Project Area:

- Age
- Deleterious land use or layout
- Depreciation of physical maintenance
- Deterioration
- Excessive land coverage
- Inadequate Utilities
- Lack of community planning
- Obsolescence

Several unused railroad parcels were also found to be present in the study area.

The specific basis upon which eligibility for designation as a blighted area was established, is presented in the 43rd and Damen Tax Increment Redevelopment Project Eligibility Report.

4.
COMMUNITY PLANNING OBJECTIVES/REDEVELOPMENT PLAN GOALS AND OBJECTIVES

The proposed 43rd and Damen Redevelopment Plan and Project are consistent with the City of Chicago's industrial development policies articulated in the City's CORRIDORS OF INDUSTRIAL OPPORTUNITY: A Plan for Industry in Chicago's West Side and companion documents prepared for Chicago's North and South Sides. As stated in these industrial policy documents:

" The creation and preservation of jobs for Chicago residents is a major economic development goal of the city...In support of its job creation goal, the City's industrial land use policy seeks to provide opportunities for synergy between related industrial activities, to minimize the conflicts between industrial and other land uses, and to maximize the benefits of public investment in capital programming and related industrial investment."

The adopted industrial land use policy is supported by a nine point implementation strategy:

1. Adopt an industrial land use plan which designates viable and well defined industrial corridors.
2. Maintain the industrial integrity of the corridor by requiring that proposals for non-industrial development and proposals for rezoning to non-industrial districts be approved as planned developments.
3. Continue the selective use of the Planned Manufacturing District mechanism as a tool for assuring stability of land use in the City's industrial areas.
4. Amend the provisions of the Chicago Zoning Ordinance applicable to the manufacturing zoning districts for a classification of uses and associated development standards which are congruent with the needs of modern industrial development.
5. Rezone the non-industrial zoned properties within the corridor and, as necessary, existing industrially zoned properties consistent with the appropriate modified M-zoning category.
6. Give priority consideration to the operational needs of existing industrial uses when reviewing the rezoning of industrial property outside of industrial corridors.
7. Establish an interdepartmental program to identify and regularly update the infrastructure needs of industry throughout the City.
8. Feature the industrial park opportunities identified in the land use plan in citywide programs to attract, expand and retain industry. Identify land in industrial corridors for industrial park development and create programs to assist the private sector in the development of these sites.
9. Identify Rail Access Development Areas and foster a closer relationship between the railroads and the City to enhance the development and marketing of rail properties and services.

The 43rd and Damen Redevelopment Plan and Project will enhance the City's ability to achieve its goals. The Proposed Redevelopment Plan and Project is consistent with adopted industrial development policies because it maintains the industrial integrity of the corridor and will facilitate industrial expansion elsewhere in the City.

Redevelopment Plan Goals and Objectives

The overall goal of the 43rd and Damen Redevelopment Plan is to stimulate private industrial investment in the area in order to enhance property values and attract and retain industrial users who will provide jobs and enhance Chicago's industrial property tax base. The City's goals and objectives of encouraging development and private investment will be realized by:

- Achieving significant new industrial growth in a declining area.
- Undertaking necessary site development to meet the needs of identified new industrial users.
- Implementing a plan that addresses the redevelopment costs of land acquisition, site improvements, and other activities that may be necessary to encourage industrial growth of the Redevelopment Project Area.
- Improving public facilities that may include, but are not limited to, roadway improvements.
- Entering into redevelopment agreements and by exercising other powers set forth in the Act as the City of Chicago deems necessary in order to implement the 43rd and Damen Redevelopment Plan and Project.

**5.
REDEVELOPMENT PLAN**

The City proposes to achieve its redevelopment goals and objectives for the Redevelopment Project Area through the use of public financing techniques, including tax increment financing, and by undertaking some or all of the following actions:

1. Assembling sites for redevelopment through appropriate land assembly techniques. The City may determine that it is necessary to participate in property acquisition or may use other means to induce transfer of such property to a private developer. Land acquisition activities are intended to facilitate private investment and upgrading of existing buildings within the Redevelopment Project Area.
2. Providing public improvements and facilities which may include, but are not limited to surface right-of-way improvements.
3. Entering into redevelopment agreements for the rehabilitation or construction of private improvements in accordance with the Redevelopment Plan.

6.
REDEVELOPMENT PROJECT DESCRIPTION

The 43rd and Damen Redevelopment Project is intended to facilitate the expansion of the Farley Foods, USA warehouse facilities within the City of Chicago. This expansion will allow Farley to increase production at its Chicago plant, and thus employment. The project involves the acquisition and improvement of several large warehouse facilities within the Redevelopment Project Area.

In order to carry out the public improvements needed to stimulate private investment in the redevelopment project area and industrial expansion in other areas of Chicago, some or all of the following activities and actions may be undertaken.

Development Strategies/Redevelopment Activities

Site Assembly

To achieve the renewal of the 43rd and Damen Redevelopment Project Area, property identified in Figure 1, may be acquired by purchase or long term lease and either sold or leased for private redevelopment or sold, leased or dedicated for construction of public improvements. The City may determine that to meet the objectives of this Redevelopment Plan, properties scheduled for acquisition in the plan may be exempted from acquisition without amendment of this Redevelopment Plan.

Provision of Public Improvements and Facilities

Adequate public improvements and facilities may be provided to service the entire Redevelopment Project Area. Public improvements and facilities may include, but are not limited to roadway improvements such as viaduct pavement replacement. In the event that the City determines that construction of certain improvements is not financially feasible, the City may reduce the scope of the proposed improvements.

Redevelopment Agreements

Terms of conveyance for land acquired as part of this redevelopment project shall be incorporated in appropriate disposition agreements. Such agreements may contain more specific controls than those stated in this Redevelopment Plan.

**7.
GENERAL LAND USE PLAN AND MAP**

This Redevelopment Plan and the proposed Redevelopment Project conform to the City of Chicago's adopted industrial land use policy.

The General Land Use Plan, Figure 4, identifies land uses expected to result from implementation of this plan. The major land use category included within the Redevelopment Project Area is industrial warehouse and distribution. The land use plan is intended to provide a guide for future land use improvements and developments within the Project Area.

The proposed 43rd and Damen Redevelopment Project envisions the consolidation and resubdivision of the property within the redevelopment project area as needed to facilitate industrial use of the site.

It is anticipated that City expenditures for redevelopment project costs will be carefully staged in a reasonable and proportional basis to coincide with expenditures for redevelopment by private developers.

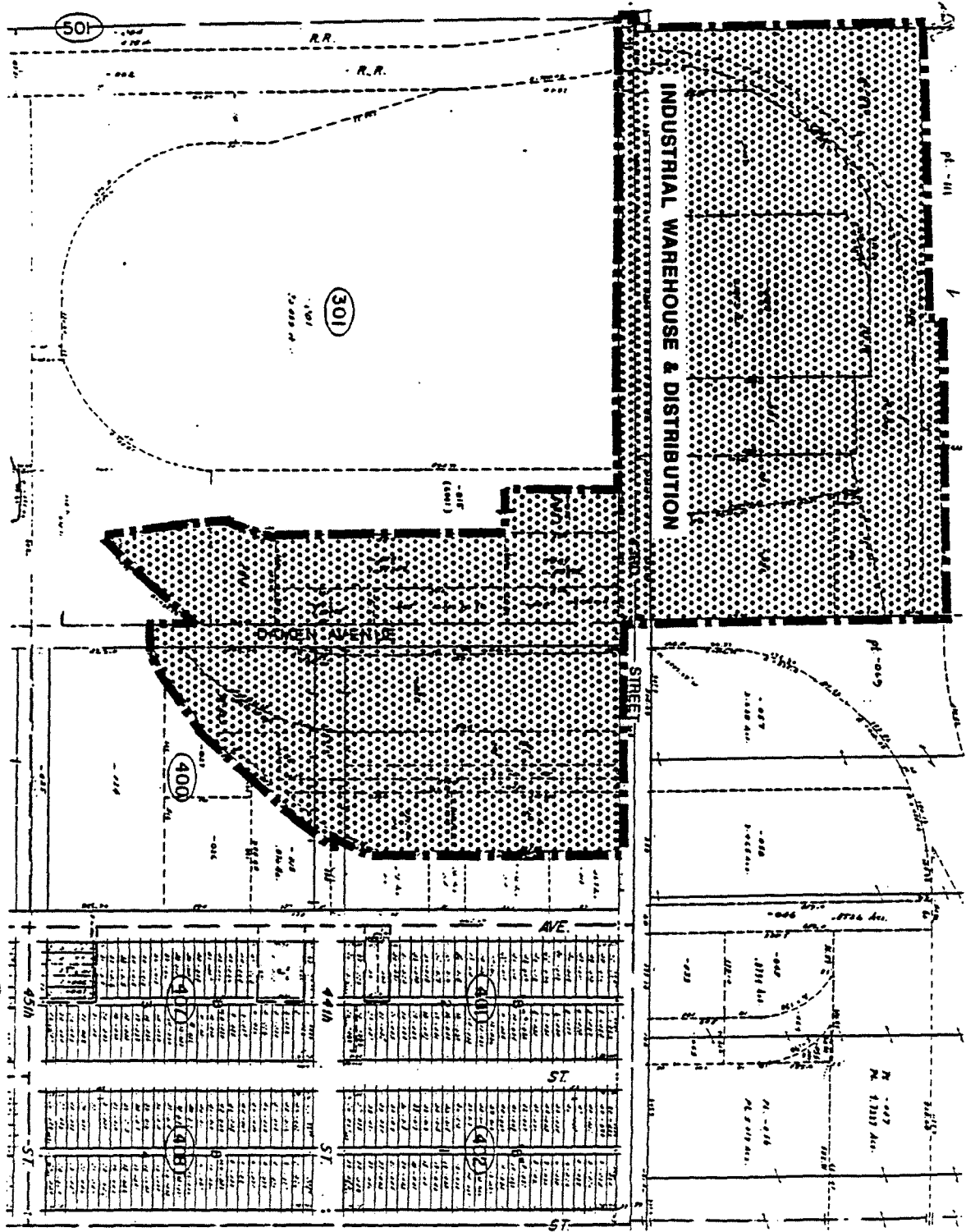


Figure 4
General Land Use Plan



Prepared by:
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411 South Wells Street
Chicago, Illinois 60607

8.
DESIGN CONTROLS AND CRITERIA

It is the intent of this redevelopment plan that the project area be used as a conveniently located warehouse and distribution district. The following design and development objectives should be used to guide new development and improvements within the Redevelopment Project Area, and apply equally to all areas included in the land use plan. These design objectives are consistent with the recommendations contained in the City of Chicago's CORRIDORS OF INDUSTRIAL OPPORTUNITY: A Plan for Industry on Chicago's West Side.

- Provide an adequate supply of appropriately located employee parking within the Redevelopment Project Area.
- Facilitate the provision of off-street loading facilities that meet the needs of modern industrial users.
- Ensure that new development complies with the Zoning Ordinance regulations within the Redevelopment Project Area.
- Undertake roadway and traffic improvements as needed so that the property functions as a modern, well-integrated industrial area for industrial users who rely on modern distribution techniques.

9.
REDEVELOPMENT PLAN AND PROJECT FINANCING

Tax increment financing can only be used when desired private investment would not reasonably be expected to occur without public assistance. The enabling legislation allowing the use of tax increment financing in Illinois sets forth the range of public assistance that may be provided.

Eligible Project Costs

Redevelopment project costs mean and include the sum total of all reasonable or necessary costs incurred or estimated to be incurred, and any such costs incidental to this Redevelopment Plan and Redevelopment Project. Eligible costs may include, without limitation, the following:

1. Costs of studies and surveys, development plans and specifications, implementation and administration of the redevelopment including but not limited to staff and professional service costs including but not limited to architectural, engineering, legal, marketing, financial, planning or other special services;
2. Property assembly costs, including but not limited to acquisition of land and other property, real or personal, or rights or interests therein, demolition of buildings, and the clearing and grading of land;
3. Costs of rehabilitation, reconstruction, repair or remodeling of existing public or private buildings and fixtures;
4. Costs of the construction of public works or improvements;
5. Costs of job training and retraining projects;
6. Financing costs, including but not limited to all necessary and incidental expenses related to the issuance of obligations and which may include payment of interest on any obligations issued under the Act accruing during the estimated period of construction of any redevelopment project for which such obligations are issued and for not exceeding 36 months thereafter and including reasonable reserves related thereto;
7. All or a portion of a taxing district's capital costs resulting from the Redevelopment Project necessarily incurred or to be incurred in furtherance of the Redevelopment Plan and Project, to the extent the municipality, by written agreement, accepts and approves such costs;
8. Relocation costs to the extent that the City determines that relocation costs shall be paid or that the City is required to make payment of relocation costs by State or Federal law;
9. Payment in lieu of taxes;
10. Costs of job training, advanced vocational education or career education, including but not limited to courses in occupational, semi-technical or technical fields leading directly to employment, incurred by one or more taxing districts as provided in the Act;

11. Interest costs incurred by a developer related to the construction, renovation or rehabilitation as provided in the Act.

The cost of constructing new privately-owned buildings is not an eligible redevelopment project cost, unless specifically authorized by the Act.

Estimated Project Costs

A range of activities and improvements will be required to implement this tax increment financing project. The proposed eligible activities and their costs are briefly described below and shown in Table 1.

Acquisition of property for sale or lease for private redevelopment including appropriate relocation costs.

Estimated cost: \$3,000,000

Construction of public improvements and facilities which may include, but are not limited to viaduct pavement replacement or other roadway improvements. These improvements are intended to improve access to the Redevelopment Project Area and stimulate private investment.

Estimated cost: \$40,000

Planning, legal, surveys, fees and other related development costs. This budget element provides for studies and survey costs for planning and implementation of the project, including planning and legal fees, financial and special service costs.

Estimated cost: \$60,000

Contingencies pursuant to provisions of the Act

Estimated cost: \$100,000

The estimated gross eligible project cost is \$3,200,000. The total project cost including public and private components is estimated at \$11,000,000.

All project cost estimates are in 1994 dollars. Any bonds issued to finance portions of the project may include an amount of proceeds sufficient to pay customary and reasonable charges associated with issuance of such obligations as well as to provide for capitalized interest and reasonably required reserves. Adjustments to estimated line items are expected and may be made without amendment to the Redevelopment Plan as long as the total project expenditures remain unchanged.

Table 1
ELIGIBLE REDEVELOPMENT PROJECT COSTS

Land Assembly	\$3,000,000
Public Improvements and Facilities	40,000
Planning, Legal, Surveys and Related Development Costs	60,000
Contingencies	100,000
TOTAL	\$3,200,000

Sources of Funds

Funds necessary to pay for redevelopment project costs and municipal obligations which have been issued to pay for such costs are to be derived principally from tax increment revenues and proceeds from municipal obligations which have as their revenue source tax increment revenue.

The tax increment revenue which will be used to fund tax increment obligations and redevelopment project costs shall be the incremental real property taxes. Incremental real property tax revenue is attributable to the increase in the current equalized assessed value of each taxable lot, block, tract or parcel of real property in the Redevelopment Project Area over and above the initial equalized assessed value of each such property in the Redevelopment Project Area. Other sources of funds which may be used to pay for redevelopment costs and obligations issued, the proceeds of which are used to pay for such costs, are land disposition proceeds, state and federal grants, investment income, and such other sources of funds and revenues as the municipality may from time to time deem appropriate.

The City may issue general obligation bonds secured by the full faith and credit of the City for the purpose of financing redevelopment project costs. Such bonds may be payable from ad valorem taxes levied against all taxable property in the City of Chicago.

Development of the 43rd and Damen Redevelopment Project Area would not be reasonably expected to occur without the use of the incremental revenues provided by the Act. Redevelopment project costs include those eligible project costs set forth in the Act and not the full range of development costs associated with the proposed Redevelopment Project. The majority of development costs will be privately financed. Tax increment financing or other public sources will be used only to the extent needed to secure commitments for private redevelopment activity.

Nature and Term of Obligations to be Issued

The City of Chicago may issue obligations secured by the tax increment special tax allocation fund established for the project area pursuant to the Act or such other funds or security as are available to the City by virtue of its powers pursuant to the Illinois State Constitution.

All tax increment financing obligations issued by the City of Chicago in order to implement this Redevelopment Plan and Project shall be retired within twenty-three (23) years from the adoption of the ordinance approving the Redevelopment Project Area. The final maturity date of any such obligations which are issued may not be later than twenty (20) years from their respective dates of issue. One or more series of obligations may be sold at one or more times in order to implement this Redevelopment Plan. We anticipate that the amounts payable in any year as principal and interest on all obligations issued by the City pursuant to the Redevelopment Plan and Act shall not exceed the amounts projected to be available from the tax increment revenues and from such bond sinking funds or other sources of funds as may be provided by ordinance.

Revenues shall be used for the scheduled and/or early retirement of obligations, and for reserves, bond sinking funds and redevelopment project costs, and, to the extent that the real property tax increment is not used for such purposes, shall be declared surplus and shall then become available for distribution annually to taxing districts in the Redevelopment Project Area in the manner provided by the Act.

Most Recent Equalized Assessed Valuation

As of the 1992 tax year, the total equalized assessed valuation for the Redevelopment Project Area is \$5,450,274. The equalized assessed valuation for each of the parcels contained within the 43rd and Damen Redevelopment Project Area is presented in Table 2.

The initial equalized assessed valuation is subject to final determination and verification by the Cook County Assessor. After verification, the correct figure shall be certified by the County Clerk of Cook County, Illinois.

Table 2
INITIAL EQUALIZED ASSESSED VALUE OF REDEVELOPMENT PROJECT AREA

<u>Parcel</u>	<u>1992 Equalized Assessed Value</u>
20-06-100-038	Railroad
20-06-100-081	\$753,715
20-06-100-083	1,126,923
20-06-100-090	29,766
20-06-100-091	263,628
20-06-100-092	32,825
20-06-100-097	918,057
20-06-100-098	Railroad
20-06-301-004	33,272
20-06-301-005	114,846
20-06-301-007	98,391
20-06-301-009	338,011
20-06-301-010	577,869
20-06-301-014	75,869
20-06-301-015-6002	36,827
20-06-400-003	35,326
20-06-400-005	129,436
20-06-400-006	68,831
20-06-400-009	315,854
20-06-400-010	24,209
20-06-400-011	280,114
20-06-400-017	Railroad
20-06-400-022	196,505
20-06-400-023	Railroad
Total	\$5,450,274

Anticipated Equalized Assessed Valuation

Once the project has been completed and the property is fully assessed, the equalized assessed valuation of real property within the Redevelopment Project Area is estimated at \$7,978,654. This estimate has been calculated assuming that the Redevelopment Project Area will be developed in accordance with the general land use plan described in Chapter 7 of this document.

The estimated equalized assessed valuation assumes that the assessed value of property within the study area will increase substantially as a result of planned acquisition and improvements involving several large warehouse buildings within the Redevelopment Project Area.

Calculation of the projected equalized assessed valuation is based on several other key assumptions, including: 1) redevelopment of the 43rd and Damen Redevelopment Area will occur in a timely manner; and 2) the application of a State Multiplier of 1.9953 to the projected assessed value of property within the study area. The projected State Multiplier was calculated by averaging the State Multipliers for Cook County for the most recent five year period (1988 through 1992).

Financial Impact on Taxing Districts

Because the proposed Redevelopment Plan and Project involves acquisition and improvement of existing buildings, and not new construction, the financial impact of the redevelopment project is expected to be negligible. No increased demands for services from any taxing district affected by the Redevelopment Plan and Project are anticipated.

Although no short-term financial or service demand impacts are expected to result from adoption of this Redevelopment Plan and Project, it is hoped that additional private investment will be attracted to the area over the life of the Redevelopment Project. Since the specific nature of such investments cannot be determined at this time, the financial impacts on the various taxing jurisdictions or increased service demands resulting from such new development cannot be quantified. However, because of current zoning, the existing land use pattern, and the City's adopted industrial land use policy, any new development is likely to be industrial in nature. As a result, increased service demands are likely to be limited to utilities either provided by the City of Chicago or the Metropolitan Water Reclamation District of Greater Chicago. The City will monitor and assess the financial impact or increased service demands on affected taxing jurisdictions and develop specific plans to address any such impacts that may occur over the life of the Redevelopment Project.

Real estate tax revenues resulting from increases in the equalized assessed value over and above the certified initial equalized assessed value established with the adoption of this Redevelopment Plan and Project will be used to pay eligible redevelopment costs in the area. At the end of such period, the real estate tax revenues attributable to the increase in the equalized assessed value over the certified initial equalized assessed value will be distributed to all taxing districts levying property taxes against property located in the Redevelopment Project Area. Successful implementation of this Redevelopment Plan and Project is expected to result in new development and private investment on a scale sufficient to overcome blighted conditions and substantially improve the long-term economic value of the area.

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

This Redevelopment Project will be completed on or before a date twenty-three (23) years from the adoption of the ordinance designating the Redevelopment Project Area. The City of Chicago expects that the Redevelopment Project will be completed sooner than the maximum time limit set by the Act.

10.
PROVISIONS FOR AMENDING THE PLAN

This 43rd and Damen Tax Increment Redevelopment Project and Plan may be amended pursuant to the provisions of the Tax Increment Allocation Redevelopment Act.

**11.
CITY OF CHICAGO COMMITMENT TO FAIR EMPLOYMENT PRACTICES
AND AFFIRMATIVE ACTION**

As part of any Redevelopment Agreement entered into by the City and the private developer, both will agree to establish and implement an affirmative action program that serves appropriate sectors of the City of Chicago.

With respect to the public/private development's internal operations, both entities will pursue employment practices which provide equal opportunity to all people regardless of sex, color, race or creed. Neither party will countenance discrimination against any employee or applicant because of sex, marital status, national origin, age, or the presence of physical handicaps. These nondiscriminatory practices will apply to all areas of employment, including hiring, upgrading and promotions, termination's, compensation, benefit programs and educational opportunities.

Anyone involved with employment or contracting activities for this Redevelopment Project will be responsible for conformance with this policy and the compliance requirements of applicable state and federal regulations.

The City and the private developers involved in the implementation of this Redevelopment Project will adopt a policy of equal employment opportunity and will include or require the inclusion of this statement in all contracts and subcontracts at any level for the Project being undertaken in the Redevelopment Project Area. Any public/private partnership established for the development project in the Redevelopment Project Area will seek to ensure and maintain a working environment free of harassment, intimidation, and coercion at all sites, and in all facilities at which employees are assigned to work. It shall be specifically ensured that all on-site supervisory personnel are aware of and carry out the obligation to maintain such a working environment, with specific attention to minority and/or female individuals. The partnership will utilize affirmative action to ensure that business opportunities are provided and that job applicants are employed and treated in a nondiscriminatory manner.

Underlying this policy is the recognition that successful affirmative action programs are important to the continued growth and vitality of the City of Chicago.

**APPENDIX A
LEGAL DESCRIPTION OF THE 43RD AND DAMEN REDEVELOPMENT
PROJECT AREA**

That part of Section 6, Township 38 north, Range 14, east of the third principal meridian, described as follows: beginning at a point on the east line of the northwest 1/4 of said Section 6, said point being the northeasterly corner of the parcel of land identified by permanent index number 20-06-100-098 on the Official Cook County Tax Map; thence southerly along said east line of the northwest 1/4 and along the east line of the southwest 1/4 of said Section 6 to the south line of west 43rd Street; thence easterly along said south line of west 43rd Street to the westerly line of the stockyards industrial-commercial redevelopment project area pursuant to the ordinance passed by the City Council of the City of Chicago on March 8, 1989, said point being 130 feet, more or less, west of the west line of south Wolcott Avenue; thence southerly and southwesterly along the westerly line of said stockyards industrial-commercial redevelopment project area, being also the track right-of-way line, to an intersection with the center line of vacated west 44th Street, said point being 176.27 feet west of the west line of south Wolcott Avenue; thence easterly along said center line of vacated west 44th Street, 26.27 feet to the westerly line of said stockyards industrial-commercial redevelopment project area; thence southwesterly along the westerly line of said stockyards industrial-commercial redevelopment project area, being also the track right-of-way line, to the east line of south Damen Avenue; thence due west to the east line of the southwest 1/4 of said Section 6, thence northerly along the east line of said southwest 1/4 to the southeasterly line of the parcel of land identified by permanent index number 20-06-301-014 on the Official Cook County Tax Map, thence southwesterly along the southeasterly line of the parcel of land identified by permanent index number 20-06-301-014, being also the track right-of-way line, to the most southerly corner of said parcel of land; thence northerly along the westerly line of said parcel of land identified by permanent index number 20-06-301-014, being also the track right-of-way line, to the south line of the parcel of land identified by permanent index number 20-06-301-010 on the Official Cook County Tax map; thence westerly along said last described south line to the west line of said parcel of land identified by permanent index number 20-06-301-010; thence northerly along said last described west line, being also the track right-of-way line, to the northwest corner of said parcel of land identified by permanent index number 20-06-301-010; thence westerly parallel with the south line of west 43rd Street, 100 feet; thence northerly parallel with the west line of the parcel of land identified by permanent index number 20-06-301-009 on the Official Cook County Tax Map, 250 feet to the south line of west 43rd Street; thence westerly along said south line of west 43rd Street to a point 120 feet west of the intersection of said south line of west 43rd Street with the easterly right-of-way line of the Chicago River and Industrial Railroad Company mainline; thence due north to the north line of west 43rd Street; thence easterly along said north line of west 43rd Street to the west line of the east 1/2 of the northwest 1/4 of said Section 6, thence northerly along said last described west line to the northwesterly corner of the parcel of land identified by permanent index number 20-06-100-098 on the Official Cook County Tax Map; thence easterly along the north line of said parcel of land identified by permanent index number 20-06-100-098, 660 feet, more or less, to an angle point in said line; thence northerly along the line of said parcel of land identified by permanent index number 20-06-100-098, 28 feet, more or less, to an angle point in said line; thence easterly along the north line of said parcel of land identified by permanent index number 20-06-100-098, 655 feet, more or less, to the point of beginning, all in the City of Chicago, Cook County, Illinois.



CITY OF CHICAGO, ILLINOIS
43RD AND DAMEN REDEVELOPMENT PROJECT

FINANCIAL REPORT

DECEMBER 31, 1997

CITY OF CHICAGO, ILLINOIS
43RD AND DAMEN REDEVELOPMENT PROJECT

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BANSLEY AND KIENER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

125 SOUTH WACKER DRIVE

CHICAGO, ILLINOIS 60606-4496

AREA CODE 312 263-2700

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheet of the 43rd and Damen Redevelopment Project of the City of Chicago, Illinois, as of December 31, 1997, and the related statement of revenues, expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the City of Chicago's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 43rd and Damen Redevelopment Project of the City of Chicago, Illinois, as of December 31, 1997, and the results of its operations and changes in fund balance for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of cash activities on page 6 and the schedule of expenditures by statutory code on page 7, which are also the responsibility of the City of Chicago's management, are presented for purposes of additional analysis and are not a required part of the financial statements of 43rd and Damen Redevelopment Project of the City of Chicago, Illinois. Such additional information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

Bansley and Kiener, L.L.P.

Certified Public Accountants

April 13, 1998

CITY OF CHICAGO, ILLINOIS
43RD AND DAMEN REDEVELOPMENT PROJECT

BALANCE SHEET
DECEMBER 31, 1997

A S S E T S

Cash and investments	\$159,043
Property taxes receivable	105,000
Accrued interest receivable	<u>3,389</u>
Total assets	<u>\$267,432</u>

LIABILITIES AND FUND BALANCE

Due to other City funds	\$ 3,227
Deferred revenue	105,000
Fund balance	<u>159,205</u>
Total liabilities and fund balance	<u>\$267,432</u>

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

CITY OF CHICAGO, ILLINOIS
43RD AND DAMEN REDEVELOPMENT PROJECT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 1997

Revenues	
Property tax	\$ 98,106
Interest	<u>3,405</u>
Total revenues	101,511
Expenditures	
Capital projects	<u>3,227</u>
Revenues over expenditures	98,284
Fund balance, beginning of year	<u>60,921</u>
Fund balance, end of year	<u>\$159,205</u>

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

CITY OF CHICAGO, ILLINOIS
43RD AND DAMEN REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Description of Project

The 43rd and Damen Tax Increment Redevelopment Project Area (Project) was established in August 1994. The area has been established to finance improvements, leverage private investment and create and retain jobs. Reimbursements, if any, are made to the developer as public improvements are completed and pass City inspection.

Basis of Accounting

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

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

Management's Use of Estimates

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

Illinois Tax Increment Redevelopment Allocation Act Compliance

The Project's expenditures include reimbursements for various eligible costs as described in subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act and the Redevelopment Agreement relating specifically to the Project. Eligible costs include but are not limited to survey, property assembly, rehabilitation, public infrastructure, financing and relocation costs.

CITY OF CHICAGO, ILLINOIS
43RD AND DAMEN REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Investments

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

The City Treasurer and City Comptroller share responsibility for investing in authorized investments. Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances. Investments are stated at cost or amortized cost, which approximates market value.

Property Taxes

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

SUPPLEMENTARY INFORMATION

SCHEDULE OF CASH ACTIVITIES
YEAR ENDED DECEMBER 31, 1997

Cash flows from operating activities	
Property taxes received	\$ 98,106
Interest received	<u>16</u>
Increase in cash and investments	98,122
Cash and investments, beginning of year	<u>60,921</u>
Cash and investments, end of year	<u>\$ 159,043</u>
Reconciliation of revenues over expenditures to net cash provided by operating activities	
Revenues over expenditures	\$ 98,284
Adjustments to reconcile revenues over expenditures to net cash provided by operating activities	
Changes in assets - (increase)	
Property tax receivable	(105,000)
Accrued interest receivable	(3,389)
Changes in liabilities - increase	
Due to other City funds	3,227
Deferred revenue	<u>105,000</u>
	<u>\$ 98,122</u>

SCHEDULE OF EXPENDITURES BY STATUTORY CODE

Code Description

Costs of studies, surveys, development of plans and specifications, implementation and administration of the redevelopment plan including but not limited to staff and professional service costs for architectural, engineering, legal, and marketing

\$3,227

43rd and Damen Redevelopment Project Area 1997 Annual Report

(k) DESCRIPTION OF TAX RECEIPTS AND ASSESSMENT INCREMENTS

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

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

All terms used in Section (k) relating to increment amounts and assessed value are construed as in Section 9 of the Illinois Tax Increment Allocation and Redevelopment Act or the Illinois Industrial Jobs Recovery Law.

**43rd and Damen Redevelopment Project Area
1997 Annual Report**

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

<u>YEAR</u>	<u>MUNICIPAL SALES TAX INCREMENT</u>	<u>STATE SALES TAX INCREMENT</u>	<u>MUNICIPAL UTILITY TAX INCREMENT</u>	<u>NET STATE UTILITY TAX INCREMENT</u>	<u>INITIAL EAV</u>	<u>TOTAL 1996 EAV</u>	<u>TOTAL INCREMENTAL PROPERTY TAXES 1996</u>
1997	N.A. (1)	N.A. (1)	N.A. (1)	N.A. (1)	\$5,395,485	\$5,967,528	\$96,497

(1) N.A. - not applicable.

43rd and Damen Redevelopment Project Area 1997 Annual Report

(I) CERTAIN CONTRACTS OF TIF CONSULTANTS

Section (I) provides information about contracts, if any, between the TIF consultant who was paid by the City for assisting to establish the Project Area and any entity that has or is currently receiving payments financed by tax increment revenues from the Project Area. The contents of Section (I) are based on responses to a mail survey. This survey was sent to every consultant who has prepared at least one redevelopment plan for the establishment of a redevelopment project area within the City, as of December 31, 1997. The Executive Order specifically applies to contracts that the City's tax increment advisors or consultants, if any, have entered into with any entity that has received or is receiving payments financed by tax revenues produced by the same Project Area. **No TIF Consultant was paid by the City for assisting to establish the Project Area.**

**43rd and Damen Redevelopment Project Area
1997 Annual Report**

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

For the Project Area's Special Tax Allocation Fund, this Report provides a certified audit report reviewing compliance with the Illinois Tax Increment Allocation Redevelopment Act or the Illinois Industrial Jobs Recovery Law, as appropriate. The audit was performed by an independent public accountant, certified and licensed by the State of Illinois, and in accordance with generally accepted auditing standards established by the American Institute of Certified Public Accountants. The Report contains a statement from the accountant indicating compliance or non-compliance with the Illinois Tax Increment Allocation Redevelopment Act or the Illinois Industrial Jobs Recovery Law, as appropriate.

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

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

Established 1922

MANAGEMENT ADVISORY SERVICES

TIMOTHY R. MULCAHY
DAVID W. RICHMOND

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INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with generally accepted auditing standards, the balance sheet of 43rd and Damen Redevelopment Project of the City of Chicago, Illinois as of December 31, 1997, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and have issued our report thereon dated April 13, 1998.

In connection with our audit, nothing came to our attention that caused us to believe that the Project failed to comply with the regulatory provisions in Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Allocation Redevelopment Act and Subsection (o) of Section 11-74.6-10 of the Illinois Industrial Jobs Recovery Law as they relate to the eligibility for costs incurred incidental to the implementation of the 43rd and Damen Redevelopment Project of the City of Chicago, Illinois.

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

Bansley and Kiener, L.L.P.

Certified Public Accountants

April 13, 1998

**43rd and Damen Redevelopment Project Area
1997 Annual Report**

**ATTACHMENT
REDEVELOPMENT PLAN**