1998 Annual Report

River South Redevelopment Project Area

Pursuant to Mayor's Executive Order 97-2

JUNE 30, 1999

EXHIBIT I: Estimated Redevelopment Project Costs

EXHIBIT I: ESTIMATED REDEVELOPMENT PROJECT COSTS

ELIGIBLE EXPENSE	Estimated Cost
Analysis, Administration, Studies, Surveys, Legal, etc.	$2,700,000
Property Assembly	
-Acquisition	$3,000,000
-Site Prep, Demolition and Environmental Remediation	$9,500,000
Rehabilitation of Existing Buildings	$6,000,000
Public Works & Improvements	
-Streets and Utilities	$28,500,000
-Parks, Open Space and Riverwalk	$26,800,000 [1]
-Public Facilities	$53,000,000 [1]
Job Training	$2,000,000
Developer/Interest Subsidy	$4,000,000
TOTAL REDEVELOPMENT PROJECT COSTS	$135,500,000 [2]

[1] This category may also include reimbursing capital costs of taxing districts impacted by the redevelopment of the Project Area. As permitted by the Act, the City may pay or reimburse all or a portion of the Board of Education's and the Park District's capital costs resulting from the Redevelopment Project, pursuant to a written agreement by the City accepting and approving such costs.

[2] Total Redevelopment Project Costs exclude any additional financing costs, including any interest expense, capitalized interest and costs associated with optional redemptions. These costs are subject to prevailing market conditions and are in addition to Total Project Costs. Total Project Costs are inclusive of redevelopment project costs in contiguous redevelopment project areas that are permitted under the Act to be paid from incremental property taxes.

EXHIBIT II: River South Project Area Tax Increment Financing Eligibility Study

RIVER SOUTH PROJECT AREA
TAX INCREMENT FINANCING
ELIGIBILITY STUDY

City of Chicago, Illinois

April 7, 1997

City of Chicago
Richard M. Daley, Mayor

RIVER SOUTH PROJECT AREA
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This Eligibility Study is subject to review
and comment and may be revised
after comment and hearing.

Prepared by:
Trkla, Pettigrew, Allen & Payne, Inc.

April 7, 1997

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EXECUTIVE SUMMARY

The purpose of this study is to determine whether the River South Project Area (the "Project Area") qualifies for designation as a "conservation area" or a "blighted area" within the definitions set forth in the Tax Increment Allocation Redevelopment Act (the "Act"). The Act is found in Illinois Compiled Statutes, Chapter 65, Act 5, Section 11-74.4-1 *et. seq.*, as amended.

The findings presented in this study are based on surveys and analyses conducted by Andrew Heard and Associates, Ltd. and Trkla, Pettigrew, Allen & Payne, Inc. ("TPAP") for the Project Area of approximately 285.8 acres located south of the central business district of Chicago, Illinois.

The Project Area consists of two areas. Area 1 is an improved area and encompasses a built-up area of 9½ blocks generally bounded by Congress Parkway and Van Buren Street on the north, Clark Street and Federal Street on the east, Harrison Street and Polk Street on the south and the Chicago River on the west. Area 2 encompasses both vacant land and improved areas, and is generally bounded by Polk Street and Harrison Street on the north, Clark Street and State Street on the east, Cullerton Street on the south, and the Chicago River and Stewart Avenue on the west. Area 2 consists of a total of 163.8 acres, and is further divided into two subareas. Subarea A consists of vacant rail yards along the Chicago River, and Subarea B consists of a 16-block built-up area in the southeast portion of Area 2.

The boundaries of the Project Area and the location of the subareas are shown on Figure 1, *Boundary Map.* A more detailed description of the Project Area is presented in *Section II, The River South Project Area.*

As set forth in the Act, a "redevelopment project area" means an area designated by the municipality which is not less in the aggregate than 1½ acres, and in respect to which the municipality has made a finding that there exist conditions which cause the area to be classified as an industrial park conservation area or a blighted area or a conservation area, or a combination of both blighted and conservation areas. The River South Project Area exceeds the minimum acreage requirements of the Act.

As set forth in the Act, "conservation area" means any improved area within the boundaries of a redevelopment project area located within the territorial limits of the municipality in which 50 percent or more of the structures in the area have an age of 35 years or more. Such an area is not yet a blighted area but because of a combination of 3 or more of the following factors--dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; abandonment; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land use or layout; depreciation of physical maintenance; or lack of community planning--is detrimental to the public safety, health, morals or welfare and such an area may become a blighted area.

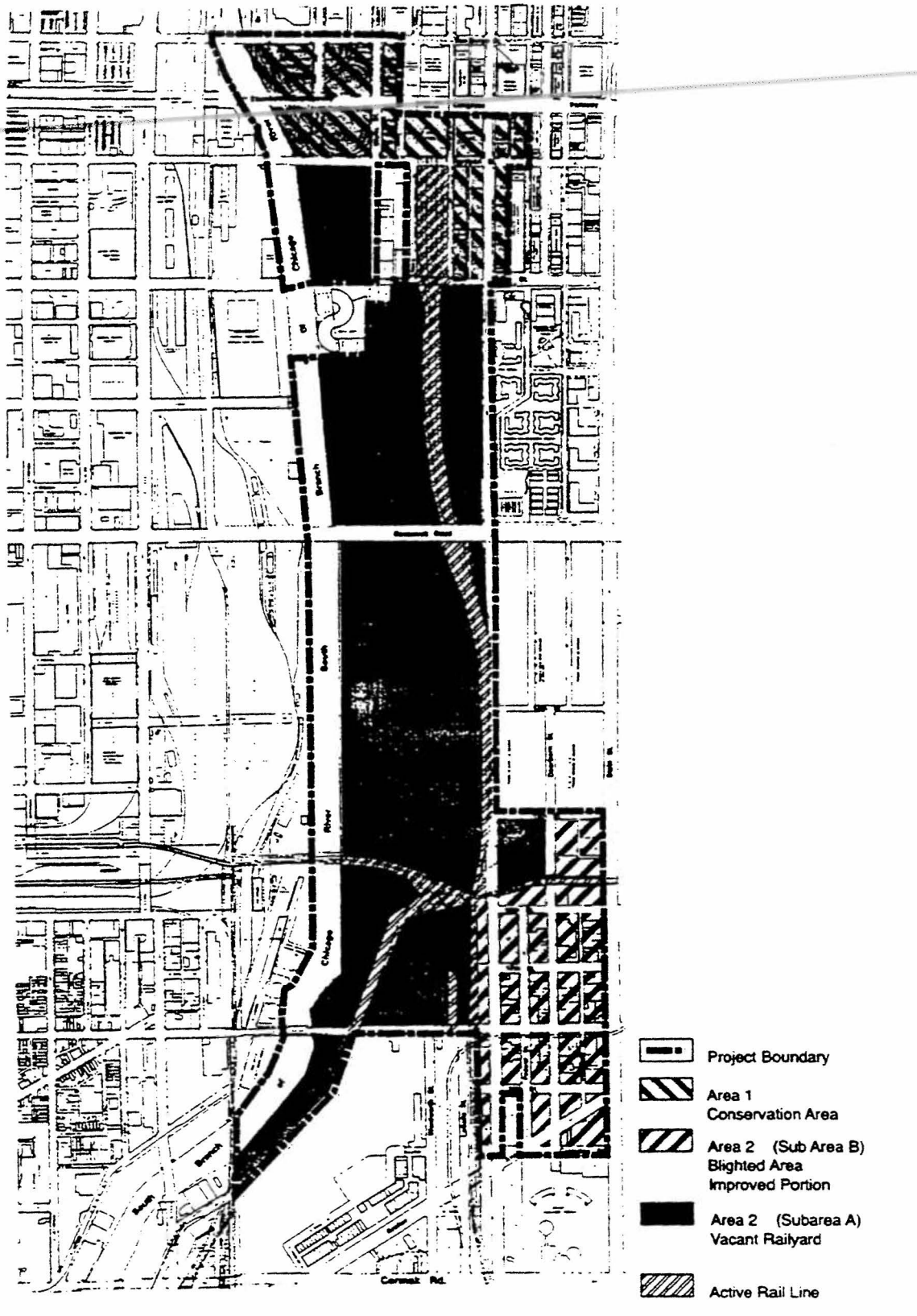

Figure 1
PROJECT BOUNDARY

RIVER SOUTH **Chicago, Illinois**

Tax Increment Financing Redevelopment Project

Prepared by: Trkla, Pettigrew, Allen, & Payne

As set forth in the Act, "blighted area" means any improved or vacant area within the boundaries of a redevelopment project area located within the territorial limits of the municipality where, if improved, industrial, commercial and residential buildings or improvements, because of a combination of 5 or more of the following factors: age; dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land use or layout; depreciation of physical maintenance; or lack of community planning, is detrimental to the public safety, health, morals or welfare, or if vacant, the sound growth of the taxing districts is impaired by: (1) a combination of 2 or more of the following factors: obsolete platting of the vacant land; diversity of ownership of such land; tax and special assessment delinquencies on such land; flooding on all or part of such vacant land; deterioration of structures or site improvements in neighboring areas adjacent to the vacant land; or (2) the area immediately prior to becoming vacant qualified as a blighted improved area, or (3) the area consists of an unused quarry or unused quarries, or (4) the area consists of unused railyards, rail tracks or railroad rights-of way, or (5) the area, prior to the area's designation, is subject to chronic flooding which adversely impacts on real property in the area and such flooding is substantially caused by one or more improvements in or in proximity to the area which improvements have been in existence for at least 5 years, or (6) the area consists of an unused disposal site, containing earth, stone, building debris or similar material, which were removed from construction, demolition, excavation or dredge sites, or (7) the area is not less than 50 or more than 100 acres and 75% of which is vacant, notwithstanding the fact that such area has been used for commercial agricultural purposes within 5 years prior to the designation of the redevelopment project area, and which area meets at least one of the factors itemized in provision (1) of the subsections (a), and the area has been designated as a town or village center by ordinance or comprehensive plan adopted prior to January 1, 1982, and the area has not been developed for that designated purpose.

While it may be concluded that the mere presence of the minimum number of the stated factors may be sufficient to make a finding of conservation or blight, this evaluation was made on the basis that the conservation or blighting factors must be present to an extent which would lead reasonable persons to conclude that public intervention is appropriate or necessary. Secondly, the distribution of conservation or blighting factors throughout the study area must be reasonable so that basically good areas are not arbitrarily found to be conservation areas or blighted simply because of proximity to areas which are blighted.

On the basis of this approach, Area 1 of the Project Area is found to be eligible as a conservation area and Area 2 of the Project Area is found to be eligible as a blighted area within the definitions set forth in the Act.

AREA 1 - CONSERVATION AREA

Area 1 of the Project Area is found to be eligible as a conservation area within the definition set forth in the Act. Specifically:

- 87.5 percent of the 32 buildings in this portion of the Project Area are thirty-five years of age or older.

- Of the 14 factors set forth in the Act for conservation areas, 6 factors are present to a major extent in Area 1 of the Project Area. These factors include obsolescence, deterioration, structures below minimum code standards, excessive vacancies, depreciation of physical maintenance and lack of community planning.
- The factors present are reasonably distributed throughout Area 1 of the Project Area.
- All blocks within Area 1 of the Project Area show the presence of conservation factors.
- Area 1 of the Project Area includes only real property and improvements thereon substantially benefited by the proposed redevelopment project improvements.

AREA 2 - BLIGHTED AREA

Subarea A within Area 2 is found to be eligible as a "vacant" blighted area within the definition set forth in the Act. Subarea B within Area 2 is found to be eligible as an "improved" blighted area within the definition set forth in the Act. Specifically:

- Subarea A within Area 2 of the Project Area consists of unused railyards, rail tracks or railroad rights-of-way.
- Of the 14 blighting factors set forth in the Act for "improved" blighted areas, 8 are present in Subarea B of Area 2. Seven factors (age, obsolescence, deterioration, structures below minimum code standards, excessive vacancies, depreciation of physical maintenance and lack of community planning) are present to a major extent and one factor (dilapidation) is present to a limited extent.
- Subarea B of Area 2 includes vacant lots and blocks characterized by obsolete platting and diversity of ownership and which are adjacent to deteriorating structures or site improvements.
- The factors present are reasonably distributed throughout Area 2 of the Project Area.
- All blocks within Area 2 of the Project Area show the presence of blight factors.
- Area 2 of the Project Area includes only real property and improvements thereon substantially benefited by the proposed redevelopment project improvements.

I. BASIS FOR REDEVELOPMENT

The Illinois General Assembly made two key findings in adopting the Act:

1. That there exists in many municipalities within the State blighted and conservation areas; and

2. That the eradication of blighted areas and the treatment and improvement of conservation areas by redevelopment projects are essential to the public interest.

These findings were made on the basis that the presence of blight or conditions which lead to blight are detrimental to the safety, health, welfare and morals of the public.

To ensure that the exercise of these powers is proper and in the public interest, the Act also specifies certain requirements which must be met before a municipality can proceed with implementing a redevelopment project. One of these requirements is that the municipality must demonstrate that a prospective redevelopment project qualifies either as a "blighted area" or as a "conservation area" within the definitions for each set forth in the Act (in Section 11-74.4-3). These definitions are described below.

ELIGIBILITY OF A BLIGHTED AREA

A blighted area may be either improved or vacant. If the area is improved (*e.g.*, with industrial, commercial and residential buildings or improvements), a finding may be made that the area is blighted because of the presence of a combination of five or more of the following fourteen factors:

- Age
- Dilapidation
- Obsolescence
- Deterioration
- Illegal use of individual structures
- Presence of structures below minimum code standards
- Excessive vacancies
- Overcrowding of structures and community facilities
- Lack of ventilation, light, or sanitary facilities
- Inadequate utilities
- Excessive land coverage

- Deleterious land-use or lay-out
- Depreciation of physical maintenance
- Lack of community planning.

If the area is vacant, it may be found to be eligible as a blighted area based on the finding that the sound growth of the taxing districts is impaired by one of the following criteria:

- A combination of 2 or more of the following factors: obsolete platting of the vacant land; diversity of ownership of such land; tax and special assessment delinquencies on such land; flooding on all or part of such vacant land; deterioration of structures or site improvements in neighboring areas adjacent to the vacant land.
- The area immediately prior to becoming vacant qualified as a blighted improved area.
- The area consists of an unused quarry or unused quarries.
- The area consists of unused railyards, rail tracks or railroad rights-of-way.
- The area, prior to the area's designation, is subject to chronic flooding which adversely impacts on real property which is included in or (is) in proximity to any improvement on real property which has been in existence for at least 5 years and which substantially contributes to such flooding.
- The area consists of an unused disposal site, containing earth, stone, building debris or similar material, which were removed from construction, demolition, excavation or dredge sites.
- The area is not less than 50 nor more than 100 acres and 75% of which is vacant, notwithstanding the fact that such area has been used for commercial agricultural purposes within 5 years prior to the designation of the redevelopment project area, and which area meets at least one of the factors itemized in provision (1) of the subsection (a), and the area has been designated as a town or village center by ordinance or comprehensive plan adopted prior to January 1, 1982, and the area has not been developed for that designated purpose.

ELIGIBILITY OF A CONSERVATION AREA

A conservation area is an improved area in which 50 percent or more of the structures in the area have an age of 35 years or more and there is a presence of a combination of three or more of the fourteen factors listed below. Such an area is not yet a blighted area, but because of a combination of three or more of these factors, the area may become a blighted area.

- Dilapidation
- Obsolescence
- Deterioration
- Illegal use of individual structures
- Presence of structures below minimum code standards
- Abandonment
- Excessive vacancies

- Overcrowding of structures and community facilities
- Lack of ventilation, light, or sanitary facilities
- Inadequate utilities
- Excessive land coverage
- Deleterious land-use or lay-out
- Depreciation of physical maintenance
- Lack of community planning.

While the Act defines a blighted area and a conservation area, it does not define the various factors for each, nor does it describe what constitutes the presence or the extent of presence necessary to make a finding that a factor exists. Therefore, reasonable criteria should be developed to support each local finding that an area qualifies as either a blighted area or as a conservation area. In developing these criteria, the following principles have been applied:

1. The minimum number of factors must be present and the presence of each must be documented;
2. For a factor to be found present, it should be present to a meaningful extent so that a local governing body may reasonably find that the factor is clearly present within the intent of the Act; and
3. The factors should be reasonably distributed throughout the redevelopment project area.

It is also important to note that the test of eligibility is based on the conditions of the area as a whole; it is not required that eligibility be established for each and every property in the project area.

II. THE RIVER SOUTH PROJECT AREA

The Project Area is comprised of two areas. Area 1 consists of 9 full blocks and 1 partial block, and is generally bounded by Congress Parkway and Van Buren Street on the north; Clark Street and Federal Street on the east; Harrison Street and Polk Street on the south; and the Chicago River on the west.

Area 2 is generally bounded by Polk Street and Harrison Street on the north; Clark Street and State Street on the east; Cullerton Street on the south; and the Chicago River and Stewart Avenue on the west. Area 2 is further subdivided into two subareas. Subarea A encompasses 157.9 acres consisting of vacated railyards and rail lines. Subarea B is a built-up area of 45.3 acres and is generally bounded by 15th Street on the north, State Street on the east, Cullerton Street on the south and the frontage west of Clark Street on the west.

In total, the Project Area contains 50 buildings and encompasses 285.8 acres of land. The acreage is divided as indicated in Table 1 below.

Table 1: Acreage Distribution
River South Project Area

Area	Total Acres	Percent of Total
• Chicago River South Branch	38.6	13.5
• Area 1, Total	44.0	15.4
• Area 2, Subarea A	157.9	55.2
• Area 2, Subarea B	45.3	15.9
Total	285.8	100.0

Area 1 and Area 2 are distinctly different in character. Area 1 borders on the south fringe of the downtown Loop, and contains a range of office, retail, residential and service uses closely tied to the downtown. Area 1 also includes 3 blocks which contain ramps to the Eisenhower Expressway. Major existing uses include a Commonwealth Edison cooling facility, LaSalle Street Station, a Federal office building, and the Ameritech and AT&T buildings. In addition, Area 1 contains older multi-story buildings formerly used for printing, book binding and warehousing, and smaller buildings containing a range of uses serving the central area. Some of the older buildings still contain printing and related office services, although many are only partially occupied. Several parking structures and surface parking lots are also located in the southern portion of Area 1.

Area 2 represents 71 percent of the total acreage within the Project Area. Subarea A, which contains approximately 157.9 acres, consists primarily of an area formerly used for railroad

activities. 138.5 acres (or 87.7 percent) of Subarea A consists of unused railyards, rail tracks and railroad rights-of-way and contains remnants of tracks and building debris. The remaining 19.4 acres in Subarea A consist of active railroad uses, including the Metra Rock Island Metra line (15.4 acres); two CTA rapid transit lines (0.9 acres); and the St. Charles Airline (3.1 acres).

The built-up portion of Area 2 (Subarea B) contains 18 buildings situated on 12 of the 16 full and partial blocks. Major existing uses include the U.S. Post Office truck garage facility and a printing company housed in a larger, newer building. Subarea B is dominated by blocks which contain older structures which are either vacant or partially used for warehouse purposes; unsightly auto scrap yards; and poorly maintained vacant land with weeds and debris. Many of the buildings within Subarea B are in an advanced stage of deterioration. Except for Clark Street and State Street, all local streets serving Subarea B are in poor condition with pot holes, broken or missing pavement, semi-paved surfaces, ruts and depressions with water ponding, and lack curbs, gutters and sidewalks.

Within Subarea B of Area 2, parcels with buildings or other improvements total 17.8 acres and streets, alleys and other public right-of-way improvements total 19.3 acres. These improved areas encompass 37.1 acres, or 81.9 percent of the 45.3 acres within Subarea B. The remaining 8.2 acres in Subarea B of Area 2 include scattered vacant lots and blocks. Major vacant lots and blocks are described in more detail below.

In the area between 18th and 19th Streets and from the Metra Rock Island commuter rail line to State Street, two full blocks and parts of three additional blocks are vacant. One full and one partial block are characterized by obsolete platting and are adjacent to deteriorating structures and site improvements. One partial block is characterized by diversity of ownership and obsolete platting. One full block is characterized by diversity of ownership and is adjacent to deteriorating structures and site improvements. Finally, one partial block is adjacent to deteriorating structures and site improvements. Each block is parallel and adjacent (separated only by public right of way) to one or two of the other blocks and the blocks form an area that would qualify on the whole as a "vacant" blighted area as defined in the Act.

The one block area generally bounded by 16th Street, Federal Street, 17th Street and Clark Street is also vacant. This block is characterized by obsolete platting and is adjacent to deteriorating structures and site improvements. In addition, the northern approximately three-fourths of the block generally bounded by 17th Street, State Street, 18th Street and the north-south alley west of State Street is vacant. This partial block is characterized by diversity of ownership and is adjacent to deteriorating structures and site improvements.

The above-described full block and partial block evidence the presence of a minimum of two blighting characteristics and would each qualify as a "vacant" blighted area as defined in the Act.

III. ELIGIBILITY SURVEY AND ANALYSIS FINDINGS: IMPROVED AREAS

An analysis was made of each of the conservation area and blighted area eligibility factors listed in the Act to determine whether each or any are present in the Project Area, and if so, to what extent and in what locations. Surveys and analyses conducted by TPAP and Andrew Heard & Associates included:

1. Exterior survey of the condition and use of each building;
2. Interior building surveys of 14 buildings within the Project Area;
3. Site surveys of streets, alleys, sidewalks, curbs and gutters, lighting, parking facilities, landscaping, fences and walls, and general property maintenance;
4. Analysis of existing uses and their relationships;
5. Comparison of current land use to current zoning ordinance and the current zoning map;
6. Comparison of interior and exterior building conditions to property maintenance codes of the City;
7. Analysis of original and current platting and building size and layout;
8. Analysis of vacant sites and vacant buildings;
9. Analysis of building floor area and site coverage;
10. Analysis of building permits issued for the Project Area from 1991 through 1996;
11. Analysis of code violations recorded for the Project Area from 1994 through 1996;
12. Examination of commercially prepared guides to the Chicago real estate market;
13. Examination of Cook County Board of Appeal files for assessment year 1995; and
14. Review of previously prepared plans, studies and data.

Figure 2 presents the survey form used to record building conditions.

It should be noted that the 14 buildings surveyed on the interior represent the only buildings to which TPAP was able to gain sufficient access to conduct interior surveys.

The following statement of findings is presented for each blight and conservation area factor listed in the Act. The conditions that exist and the relative extent to which each factor is present in the Project Area are described.

BUILDING CONDITION SURVEY FORM

A. NAME OF ESTABLISHMENT/ OCCUPANTS	B. PROJECT CLIENT/NAME	BLOCK NO	PARCEL	BLDG. NO.	HEIGHT	CONST	BUILDING NAME
	OWNER/OCCUPANT/CONTACT	ADDRESS				DATE OF SURVEY	SURVEYOR(S)

C. STRUCTURAL DEFECTS - DEGREE AND LOCATION

FLR(S)	NO. UNITS	NO. OCC.	ACTIV.
1			
2			
3			
4			
U			

	TYPE OF MATERIAL	LOOSE MATERIAL LOCATION	MISSING MATERIAL LOCATION	WORN, WEATHERED LOCATION	SPALLING, CHIPPING LOCATION	CRACKS LOCATION	HOLES LOCATION	WATER PENETRATION LOCATION	SETTLING LOCATION	OUT-OF- PLUMB LOCATION	BOWING LOCATION	SAGGING LOCATION	WEAK, LACK OF SUPPORT LOCATION	SLOPING LOCATION	HEAVING LOCATION	FIRE DAMAGED LOCATION	IMPROPERLY CONST(SIZE) LOCATION	INFESTATION DAMAGE LOCATION	DETERIORATING LOCATION	COMPONENT RATING LOCATION
PRIMARY COMPONENTS																				
EXTERIOR WALLS AND STRUCTURE																				
EXTERIOR FOUNDATION A/G																				
EXTERIOR ROOF-STRUCTURE																				
EXTERIOR COLUMNS																				
INTERIOR FOUNDATION																				
INTERIOR LOAD-BEARING WALLS/COLUMNS																				
INTERIOR FLOORS/STRUCTURE																				
INTERIOR ROOF STRUCTURE																				
SECONDARY COMPONENTS																				
DOORS, FRAMES, SILLS, HEADERS, TRIM																				
WINDOWS, STOREFRONTS, SASH, FRAMES, SILLS,TRIM																				
EXTERIOR STAIRS, STEPS, FIRE ESCAPES, STRUCTURES																				
EXTERIOR CEILINGS, CANOPIES																				
CHIMNEYS, STACKS																				
GUTTERS, DOWNSPOUTS																				
CORNICE, APPURTENANCES, DECORATIVE TRIM																				
INTERIOR FLOOR COVERING																				
INTERIOR NON-BEARING WALLS, CEILINGS																				
INTERIOR STAIRS, RAILINGS, BANISTERS																				

Figure 2

Exterior Building Survey

D. MECHANICAL SYSTEMS DEFECTS - DEGREE AND LOCATION	OBSOLETE FIXTURES	LACKING LOCATION	LACKING IN AREAS	INADEQUATE LOCATION	INADEQUATE SERVICE	MISSING PARTS	LOCATION	LEAKING	LOCATION	CORROSION, RUSTING	LOCATION	EXPOSED	LOCATION	POOR DISTRIBUTION	LOCATION	IMPROPER CONNECT.	LOCATION	IMPROPER LOCATION	LOCATION	DETERIORATING	LOCATION	RATING
PLUMBING																						
-DRAINAGE																						
-WATER SUPPLY																						
-FIXTURES																						
ELECTRICAL																						
-SERVICE/SUPPLY																						
-WIRING																						
-FIXTURES/OUTLETS																						
HEATING/HVAC																						
-FURNACE/BOILER/COMPR.																						
-DUCTS/PIPING/VENTS																						
-DISTRIBUTION																						
ELEVATORS																						
-MECHANICAL EQUIPMENT																						
-TYPE/SIZE/ADEQUACY																						

G. ELIGIBILITY FACTORS	YES	NO	EXTENT
AGE			
1. DILAPIDATION			
2. OBSOLESCENCE			
3. DETERIORATION			
4. ILLEGAL USE OF INDIVIDUAL STRUCTURES			
5. PRESENCE OF STRUCTURES BELOW MINIMUM CODE STANDARDS			
6. ABANDONMENT			
7. EXCESSIVE VACANCIES			
8. OVERCROWDING OF STRUCTURES OR COMMUNITY FACILITIES			
9. LACK OF VENTILATION, LIGHT OR SANITARY FACILITIES			
10. INADEQUATE UTILITIES			
11. EXCESSIVE LAND COVERAGE			
12. DELETERIOUS LAND-USE OR LAYOUT			
13. DEPRECIATION OF PHYSICAL MAINTENANCE			
14. LACK OF COMMUNITY PLANNING			

E. CODE RELATED CONDITIONS - COMPLIANCE	CODES
TRAVEL, EXITS, STAIRS	
ROOM LAYOUT, CEILING HEIGHT	
LIGHT/VENT	
FIRE SAFETY	
SANITARY CONDITIONS	
ELECTRICAL	
PLUMBING	
HEATING	
SPRINKLERS	

F. FINAL BUILDING RATING	TABULATION OF DEFECTS	1	2	3
SOUND	PRIMARY COMPONENTS			
DEFICIENT-MINOR REPAIR	SECONDARY COMPONENTS			
DEFICIENT-MAJOR REPAIR	MECHANICAL SYSTEMS			
STRUCT. SUBSTANDARD	TOTAL			
FIELD EVALUATION	ACCESS. BLDG(S)			
EXTERIOR SURVEY	OFF STR. PARKING			
INCOMPL. SURVEY	LOADING			

PHOTOS - COMMENTS - SKETCHES

Figure 2 cont.

Exterior Building Survey

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River South
Redevelopment Project Area

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The boundaries of the Project Area and the location of the subareas are shown on Figure 1, *Boundary Map.* A more detailed description of the Project Area is presented in *Section II, The River South Project Area.*

As set forth in the Act, a "redevelopment project area" means an area designated by the municipality which is not less in the aggregate than 1½ acres, and in respect to which the municipality has made a finding that there exist conditions which cause the area to be classified as an industrial park conservation area or a blighted area or a conservation area, or a combination of both blighted and conservation areas. The River South Project Area exceeds the minimum acreage requirements of the Act.

As set forth in the Act, "conservation area" means any improved area within the boundaries of a redevelopment project area located within the territorial limits of the municipality in which 50 percent or more of the structures in the area have an age of 35 years or more. Such an area is not yet a blighted area but because of a combination of 3 or more of the following factors--dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; abandonment; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land use or layout; depreciation of physical maintenance; or lack of community planning--is detrimental to the public safety, health, morals or welfare and such an area may become a blighted area.

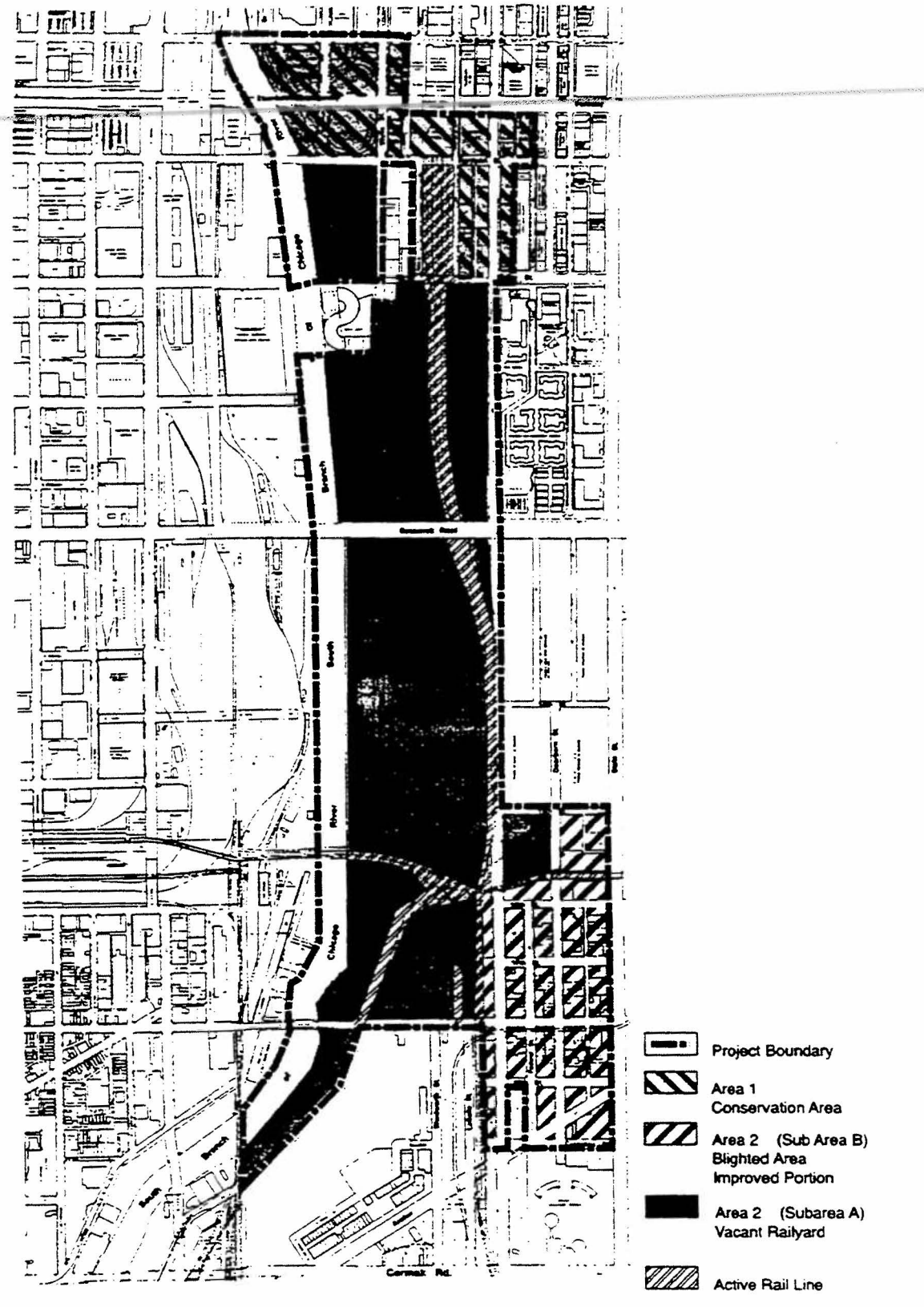


Figure 1
PROJECT BOUNDARY

RIVER SOUTH **Chicago, Illinois**

Tax Increment Financing Redevelopment Project

Prepared by: Trkla, Pettigrew, Allen, & Payne

As set forth in the Act, "blighted area" means any improved or vacant area within the boundaries of a redevelopment project area located within the territorial limits of the municipality where, if improved, industrial, commercial and residential buildings or improvements, because of a combination of 5 or more of the following factors: age; dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land use or layout; depreciation of physical maintenance; or lack of community planning, is detrimental to the public safety, health, morals or welfare, or if vacant, the sound growth of the taxing districts is impaired by: (1) a combination of 2 or more of the following factors: obsolete platting of the vacant land; diversity of ownership of such land; tax and special assessment delinquencies on such land; flooding on all or part of such vacant land; deterioration of structures or site improvements in neighboring areas adjacent to the vacant land; or (2) the area immediately prior to becoming vacant qualified as a blighted improved area, or (3) the area consists of an unused quarry or unused quarries, or (4) the area consists of unused railyards, rail tracks or railroad rights-of way, or (5) the area, prior to the area's designation, is subject to chronic flooding which adversely impacts on real property in the area and such flooding is substantially caused by one or more improvements in or in proximity to the area which improvements have been in existence for at least 5 years, or (6) the area consists of an unused disposal site, containing earth, stone, building debris or similar material, which were removed from construction, demolition, excavation or dredge sites, or (7) the area is not less than 50 or more than 100 acres and 75% of which is vacant, notwithstanding the fact that such area has been used for commercial agricultural purposes within 5 years prior to the designation of the redevelopment project area, and which area meets at least one of the factors itemized in provision (1) of the subsections (a), and the area has been designated as a town or village center by ordinance or comprehensive plan adopted prior to January 1, 1982, and the area has not been developed for that designated purpose.

While it may be concluded that the mere presence of the minimum number of the stated factors may be sufficient to make a finding of conservation or blight, this evaluation was made on the basis that the conservation or blighting factors must be present to an extent which would lead reasonable persons to conclude that public intervention is appropriate or necessary. Secondly, the distribution of conservation or blighting factors throughout the study area must be reasonable so that basically good areas are not arbitrarily found to be conservation areas or blighted simply because of proximity to areas which are blighted.

On the basis of this approach, Area 1 of the Project Area is found to be eligible as a conservation area and Area 2 of the Project Area is found to be eligible as a blighted area within the definitions set forth in the Act.

AREA 1 - CONSERVATION AREA

Area 1 of the Project Area is found to be eligible as a conservation area within the definition set forth in the Act. Specifically:

- 87.5 percent of the 32 buildings in this portion of the Project Area are thirty-five years of age or older.

- Of the 14 factors set forth in the Act for conservation areas, 6 factors are present to a major extent in Area 1 of the Project Area. These factors include obsolescence, deterioration, structures below minimum code standards, excessive vacancies, depreciation of physical maintenance and lack of community planning.
- The factors present are reasonably distributed throughout Area 1 of the Project Area.
- All blocks within Area 1 of the Project Area show the presence of conservation factors.
- Area 1 of the Project Area includes only real property and improvements thereon substantially benefited by the proposed redevelopment project improvements.

AREA 2 - BLIGHTED AREA

Subarea A within Area 2 is found to be eligible as a "vacant" blighted area within the definition set forth in the Act. Subarea B within Area 2 is found to be eligible as an "improved" blighted area within the definition set forth in the Act. Specifically:

- Subarea A within Area 2 of the Project Area consists of unused railyards, rail tracks or railroad rights-of-way.
- Of the 14 blighting factors set forth in the Act for "improved" blighted areas, 8 are present in Subarea B of Area 2. Seven factors (age, obsolescence, deterioration, structures below minimum code standards, excessive vacancies, depreciation of physical maintenance and lack of community planning) are present to a major extent and one factor (dilapidation) is present to a limited extent.
- Subarea B of Area 2 includes vacant lots and blocks characterized by obsolete platting and diversity of ownership and which are adjacent to deteriorating structures or site improvements.
- The factors present are reasonably distributed throughout Area 2 of the Project Area.
- All blocks within Area 2 of the Project Area show the presence of blight factors.
- Area 2 of the Project Area includes only real property and improvements thereon substantially benefited by the proposed redevelopment project improvements.

I. BASIS FOR REDEVELOPMENT

The Illinois General Assembly made two key findings in adopting the Act:

1. That there exists in many municipalities within the State blighted and conservation areas; and

2. That the eradication of blighted areas and the treatment and improvement of conservation areas by redevelopment projects are essential to the public interest.

These findings were made on the basis that the presence of blight or conditions which lead to blight are detrimental to the safety, health, welfare and morals of the public.

To ensure that the exercise of these powers is proper and in the public interest, the Act also specifies certain requirements which must be met before a municipality can proceed with implementing a redevelopment project. One of these requirements is that the municipality must demonstrate that a prospective redevelopment project qualifies either as a "blighted area" or as a "conservation area" within the definitions for each set forth in the Act (in Section 11-74.4-3). These definitions are described below.

ELIGIBILITY OF A BLIGHTED AREA

A blighted area may be either improved or vacant. If the area is improved (*e.g.*, with industrial, commercial and residential buildings or improvements), a finding may be made that the area is blighted because of the presence of a combination of five or more of the following fourteen factors:

- Age
- Dilapidation
- Obsolescence
- Deterioration
- Illegal use of individual structures
- Presence of structures below minimum code standards
- Excessive vacancies
- Overcrowding of structures and community facilities
- Lack of ventilation, light, or sanitary facilities
- Inadequate utilities
- Excessive land coverage

- Deleterious land-use or lay-out
- Depreciation of physical maintenance
- Lack of community planning.

If the area is vacant, it may be found to be eligible as a blighted area based on the finding that the sound growth of the taxing districts is impaired by one of the following criteria:

- A combination of 2 or more of the following factors: obsolete platting of the vacant land; diversity of ownership of such land; tax and special assessment delinquencies on such land; flooding on all or part of such vacant land; deterioration of structures or site improvements in neighboring areas adjacent to the vacant land.
- The area immediately prior to becoming vacant qualified as a blighted improved area.
- The area consists of an unused quarry or unused quarries.
- The area consists of unused railyards, rail tracks or railroad rights-of-way.
- The area, prior to the area's designation, is subject to chronic flooding which adversely impacts on real property which is included in or (is) in proximity to any improvement on real property which has been in existence for at least 5 years and which substantially contributes to such flooding.
- The area consists of an unused disposal site, containing earth, stone, building debris or similar material, which were removed from construction, demolition, excavation or dredge sites.
- The area is not less than 50 nor more than 100 acres and 75% of which is vacant, notwithstanding the fact that such area has been used for commercial agricultural purposes within 5 years prior to the designation of the redevelopment project area, and which area meets at least one of the factors itemized in provision (1) of the subsection (a), and the area has been designated as a town or village center by ordinance or comprehensive plan adopted prior to January 1, 1982, and the area has not been developed for that designated purpose.

ELIGIBILITY OF A CONSERVATION AREA

A conservation area is an improved area in which 50 percent or more of the structures in the area have an age of 35 years or more and there is a presence of a combination of three or more of the fourteen factors listed below. Such an area is not yet a blighted area, but because of a combination of three or more of these factors, the area may become a blighted area.

- Dilapidation
- Obsolescence
- Deterioration
- Illegal use of individual structures
- Presence of structures below minimum code standards
- Abandonment
- Excessive vacancies

- Overcrowding of structures and community facilities
- Lack of ventilation, light, or sanitary facilities
- Inadequate utilities
- Excessive land coverage
- Deleterious land-use or lay-out
- Depreciation of physical maintenance
- Lack of community planning.

While the Act defines a blighted area and a conservation area, it does not define the various factors for each, nor does it describe what constitutes the presence or the extent of presence necessary to make a finding that a factor exists. Therefore, reasonable criteria should be developed to support each local finding that an area qualifies as either a blighted area or as a conservation area. In developing these criteria, the following principles have been applied:

1. The minimum number of factors must be present and the presence of each must be documented;
2. For a factor to be found present, it should be present to a meaningful extent so that a local governing body may reasonably find that the factor is clearly present within the intent of the Act; and
3. The factors should be reasonably distributed throughout the redevelopment project area.

It is also important to note that the test of eligibility is based on the conditions of the area as a whole; it is not required that eligibility be established for each and every property in the project area.

II. THE RIVER SOUTH PROJECT AREA

The Project Area is comprised of two areas. Area 1 consists of 9 full blocks and 1 partial block, and is generally bounded by Congress Parkway and Van Buren Street on the north; Clark Street and Federal Street on the east; Harrison Street and Polk Street on the south; and the Chicago River on the west.

Area 2 is generally bounded by Polk Street and Harrison Street on the north; Clark Street and State Street on the east; Cullerton Street on the south; and the Chicago River and Stewart Avenue on the west. Area 2 is further subdivided into two subareas. Subarea A encompasses 157.9 acres consisting of vacated railyards and rail lines. Subarea B is a built-up area of 45.3 acres and is generally bounded by 15th Street on the north, State Street on the east, Cullerton Street on the south and the frontage west of Clark Street on the west.

In total, the Project Area contains 50 buildings and encompasses 285.8 acres of land. The acreage is divided as indicated in Table 1 below.

Table 1: Acreage Distribution
River South Project Area

Area	Total Acres	Percent of Total
• Chicago River South Branch	38.6	13.5
• Area 1, Total	44.0	15.4
• Area 2, Subarea A	157.9	55.2
• Area 2, Subarea B	45.3	15.9
Total	285.8	100.0

Area 1 and Area 2 are distinctly different in character. Area 1 borders on the south fringe of the downtown Loop, and contains a range of office, retail, residential and service uses closely tied to the downtown. Area 1 also includes 3 blocks which contain ramps to the Eisenhower Expressway. Major existing uses include a Commonwealth Edison cooling facility, LaSalle Street Station, a Federal office building, and the Ameritech and AT&T buildings. In addition, Area 1 contains older multi-story buildings formerly used for printing, book binding and warehousing, and smaller buildings containing a range of uses serving the central area. Some of the older buildings still contain printing and related office services, although many are only partially occupied. Several parking structures and surface parking lots are also located in the southern portion of Area 1.

Area 2 represents 71 percent of the total acreage within the Project Area. Subarea A, which contains approximately 157.9 acres, consists primarily of an area formerly used for railroad

activities. 138.5 acres (or 87.7 percent) of Subarea A consists of unused railyards, rail tracks and railroad rights-of-way and contains remnants of tracks and building debris. The remaining 19.4 acres in Subarea A consist of active railroad uses, including the Metra Rock Island Metra line (15.4 acres); two CTA rapid transit lines (0.9 acres); and the St. Charles Airline (3.1 acres).

The built-up portion of Area 2 (Subarea B) contains 18 buildings situated on 12 of the 16 full and partial blocks. Major existing uses include the U.S. Post Office truck garage facility and a printing company housed in a larger, newer building. Subarea B is dominated by blocks which contain older structures which are either vacant or partially used for warehouse purposes; unsightly auto scrap yards; and poorly maintained vacant land with weeds and debris. Many of the buildings within Subarea B are in an advanced stage of deterioration. Except for Clark Street and State Street, all local streets serving Subarea B are in poor condition with pot holes, broken or missing pavement, semi-paved surfaces, ruts and depressions with water ponding, and lack curbs, gutters and sidewalks.

Within Subarea B of Area 2, parcels with buildings or other improvements total 17.8 acres and streets, alleys and other public right-of-way improvements total 19.3 acres. These improved areas encompass 37.1 acres, or 81.9 percent of the 45.3 acres within Subarea B. The remaining 8.2 acres in Subarea B of Area 2 include scattered vacant lots and blocks. Major vacant lots and blocks are described in more detail below.

In the area between 18th and 19th Streets and from the Metra Rock Island commuter rail line to State Street, two full blocks and parts of three additional blocks are vacant. One full and one partial block are characterized by obsolete platting and are adjacent to deteriorating structures and site improvements. One partial block is characterized by diversity of ownership and obsolete platting. One full block is characterized by diversity of ownership and is adjacent to deteriorating structures and site improvements. Finally, one partial block is adjacent to deteriorating structures and site improvements. Each block is parallel and adjacent (separated only by public right of way) to one or two of the other blocks and the blocks form an area that would qualify on the whole as a "vacant" blighted area as defined in the Act.

The one block area generally bounded by 16th Street, Federal Street, 17th Street and Clark Street is also vacant. This block is characterized by obsolete platting and is adjacent to deteriorating structures and site improvements. In addition, the northern approximately three-fourths of the block generally bounded by 17th Street, State Street, 18th Street and the north-south alley west of State Street is vacant. This partial block is characterized by diversity of ownership and is adjacent to deteriorating structures and site improvements.

The above-described full block and partial block evidence the presence of a minimum of two blighting characteristics and would each qualify as a "vacant" blighted area as defined in the Act.

III. ELIGIBILITY SURVEY AND ANALYSIS FINDINGS: IMPROVED AREAS

An analysis was made of each of the conservation area and blighted area eligibility factors listed in the Act to determine whether each or any are present in the Project Area, and if so, to what extent and in what locations. Surveys and analyses conducted by TPAP and Andrew Heard & Associates included:

1. Exterior survey of the condition and use of each building;
2. Interior building surveys of 14 buildings within the Project Area;
3. Site surveys of streets, alleys, sidewalks, curbs and gutters, lighting, parking facilities, landscaping, fences and walls, and general property maintenance;
4. Analysis of existing uses and their relationships;
5. Comparison of current land use to current zoning ordinance and the current zoning map;
6. Comparison of interior and exterior building conditions to property maintenance codes of the City;
7. Analysis of original and current platting and building size and layout;
8. Analysis of vacant sites and vacant buildings;
9. Analysis of building floor area and site coverage;
10. Analysis of building permits issued for the Project Area from 1991 through 1996;
11. Analysis of code violations recorded for the Project Area from 1994 through 1996;
12. Examination of commercially prepared guides to the Chicago real estate market;
13. Examination of Cook County Board of Appeal files for assessment year 1995; and
14. Review of previously prepared plans, studies and data.

Figure 2 presents the survey form used to record building conditions.

It should be noted that the 14 buildings surveyed on the interior represent the only buildings to which TPAP was able to gain sufficient access to conduct interior surveys.

The following statement of findings is presented for each blight and conservation area factor listed in the Act. The conditions that exist and the relative extent to which each factor is present in the Project Area are described.

BUILDING CONDITION SURVEY FORM

A. NAME OF ESTABLISHMENT/ OCCUPANTS	B. PROJECT CLIENT/NAME	BLOCK NO	PARCEL	BLDG. NO.	HEIGHT	CONST	BUILDING NAME
	OWNER/OCCUPANT/CONTACT	ADDRESS				DATE OF SURVEY	SURVEYOR(S)

C. STRUCTURAL DEFECTS - DEGREE AND LOCATION

FLR(S)	NO. UNITS	NO. OCC.	ACTIV.
1			
2			
3			
4			
U			

	TYPE OF MATERIAL	LOOSE MATERIAL LOCATION	MISSING MATERIAL LOCATION	WORN, WEATHERED LOCATION	SPALLING, CHIPPING LOCATION	CRACKS LOCATION	HOLES LOCATION	WATER PENETRATION LOCATION	SETTLING LOCATION	OUT-OF-PLUMB LOCATION	BOWING LOCATION	SAGGING LOCATION	WEAK, LACK OF SUPPORT LOCATION	SLOPING LOCATION	HEAVING LOCATION	FIRE DAMAGED LOCATION	IMPROPERLY CONST.(SIZE) LOCATION	INFESTATION LOCATION	DAMAGE LOCATION	DETERIORATING LOCATION	COMPONENT RATING
PRIMARY COMPONENTS																					
EXTERIOR WALLS AND STRUCTURE																					
EXTERIOR FOUNDATION A/G																					
EXTERIOR ROOF-STRUCTURE																					
EXTERIOR COLUMNS																					
INTERIOR FOUNDATION																					
INTERIOR LOAD-BEARING WALLS/COLUMNS																					
INTERIOR FLOORS/STRUCTURE																					
INTERIOR ROOF STRUCTURE																					
SECONDARY COMPONENTS																					
DOORS, FRAMES, SILLS, HEADERS, TRIM																					
WINDOWS, STOREFRONTS, SASH, FRAMES, SILLS, TRIM																					
EXTERIOR STAIRS, STEPS, FIRE ESCAPES, STRUCTURES																					
EXTERIOR CEILINGS, CANOPIES																					
CHIMNEYS, STACKS																					
GUTTERS, DOWNSPOUTS																					
CORNICE, APPURTENANCES, DECORATIVE TRIM																					
INTERIOR FLOOR COVERING																					
INTERIOR NON-BEARING WALLS, CEILINGS																					
INTERIOR STAIRS, RAILINGS, BANISTERS																					

Figure 2

Exterior Building Survey

D. MECHANICAL SYSTEMS DEFECTS - DEGREE AND LOCATION	OBSOLETE FIXTURES	LOCATION	LACKING	LOCATION	INADEQUATE	LOCATION	MISSING PARTS	LOCATION	LEAKING	LOCATION	CORROSION, RUSTING	LOCATION	EXPOSED	LOCATION	POOR DISTRIBUTION	LOCATION	IMPROPER CONNECT.	LOCATION	IMPROPER LOCATION	LOCATION	DETERIORATING	LOCATION	RATING
PLUMBING																							
-DRAINAGE																							
-WATER SUPPLY																							
-FIXTURES																							
ELECTRICAL																							
-SERVICE/SUPPLY																							
-WIRING																							
-FIXTURES/OUTLETS																							
HEATING/HVAC																							
-FURNACE/BOILER/COMPR.																							
-DUCTS/PIPING/VENTS																							
-DISTRIBUTION																							
ELEVATORS																							
-MECHANICAL EQUIPMENT																							
-TYPE/SIZE/ADEQUACY																							

G. ELIGIBILITY FACTORS	YES	NO	EXTENT
AGE			
1. DILAPIDATION			
2. OBSOLESCENCE			
3. DETERIORATION			
4. ILLEGAL USE OF INDIVIDUAL STRUCTURES			
5. PRESENCE OF STRUCTURES BELOW MINIMUM CODE STANDARDS			
6. ABANDONMENT			
7. EXCESSIVE VACANCIES			
8. OVERCROWDING OF STRUCTURES OR COMMUNITY FACILITIES			
9. LACK OF VENTILATION, LIGHT OR SANITARY FACILITIES			
10. INADEQUATE UTILITIES			
11. EXCESSIVE LAND COVERAGE			
12. DELETERIOUS LAND-USE OR LAYOUT			
13. DEPRECIATION OF PHYSICAL MAINTENANCE			
14. LACK OF COMMUNITY PLANNING			

E. CODE RELATED CONDITIONS - COMPLIANCE	CODES
TRAVEL, EXITS, STAIRS	
ROOM LAYOUT, CEILING HEIGHT	
LIGHT/VENT	
FIRE SAFETY	
SANITARY CONDITIONS	
ELECTRICAL	
PLUMBING	
HEATING	
SPRINKLERS	

F. FINAL BUILDING RATING	TABULATION OF DEFECTS	1	2	3
SOUND	PRIMARY COMPONENTS			
DEFICIENT-MINOR REPAIR	SECONDARY COMPONENTS			
DEFICIENT-MAJOR REPAIR	MECHANICAL SYSTEMS			
STRUCT. SUBSTANDARD	TOTAL			
FIELD EVALUATION	ACCESS. BLDG(S)			
EXTERIOR SURVEY	OFF STR. PARKING			
INCOMPL. SURVEY	LOADING			

PHOTOS - COMMENTS - SKETCHES

Figure 2 cont.

Exterior Building Survey

A factor noted as not present indicates either that no information was available or that no evidence could be documented as part of the various surveys and analyses. A factor noted as present to a limited extent indicates that conditions exist which document that the factor is present, but that the distribution or impact of the conservation or blight condition is limited. Finally, a factor noted as present to a major extent indicates that conditions exist which document that the factor is present throughout major portions of the block, and that the presence of such conditions has a major adverse impact or influence on adjacent and nearby development.

What follows is the summary evaluation of age criteria and the 14 factors for a conservation area, and the 14 factors, including age, for an "improved" blighted area, as applied to Area 1 and Subarea B of Area 2. The factors are presented in order of their listing in the Act.

A. AGE

Age is a primary and prerequisite factor in determining an area's qualification for designation as a conservation area. Age presumes the existence of problems or limiting conditions resulting from normal and continuous use of structures over a period of years. Since building deterioration and related structural problems can be a function of time, temperature, moisture and level of maintenance over an extended period of years, structures which are 35 years or older typically exhibit more problems and require greater maintenance than more recently constructed buildings.

Conclusion

Area 1
Of the 32 buildings within Area 1 of the Project Area, 28, or 87.5 percent, are 35 years of age or older. Area 1 meets the conservation area prerequisite that more than 50 percent of the structures are 35 years of age or older.

Area 2
Of the 18 buildings within Subarea B of Area 2, 15, or 83.3 percent, are 35 years of age or older. Age as a factor of blight is present to a major extent in Subarea B of Area 2.

Figure 3, *Age*, illustrates the location of all buildings in the Project Area which are more than 35 years of age.

B. DILAPIDATION

Dilapidation refers to advanced disrepair of buildings and site improvements. Webster's New Collegiate Dictionary defines "dilapidate," "dilapidated" and "dilapidation" as follows:

- Dilapidate. "... to become or cause to become partially ruined and in need of repairs, as through neglect."

- Dilapidated. "... falling to pieces or into disrepair; broken down; shabby and neglected."

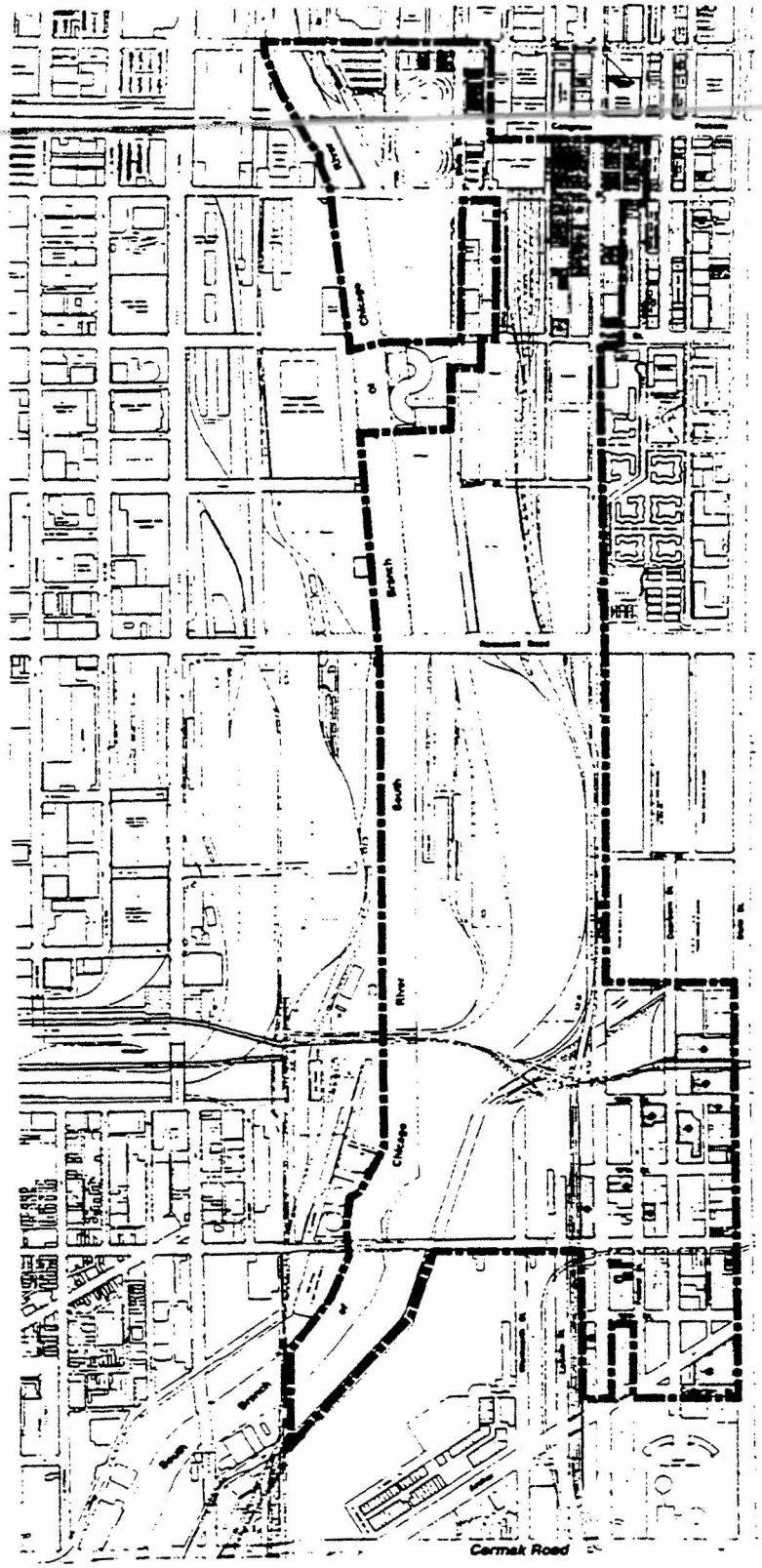


Figure 3

AGE

RIVER SOUTH **Chicago, Illinois**

Tax Increment Financing Redevelopment Project

Prepared by: Trkla, Pettigrew, Allen, & Payne

- Dilapidation, "... dilapidating or becoming dilapidated; a dilapidated condition."

To determine the existence of dilapidation, an assessment was undertaken of all buildings within the Project Area. The process used for assessing building conditions, the standards and criteria used for evaluation, and the findings as to the existence of dilapidation are presented below.

The building condition analysis is based an exterior inspection of buildings undertaken during December of 1996. In addition, interior surveys of 14 representative buildings were undertaken during January of 1997. Noted during the inspections were structural deficiencies in building components and related environmental deficiencies in the Project Area.

1. Building Components Evaluated.

During the field survey, each component of a building was examined to determine whether it was in sound condition or had minor, major, or critical defects. Building components examined were of two types:

Primary Structural
These include the basic elements of any building: foundation walls, load bearing walls and columns, roof and roof structure.

Secondary Components
These components are generally secondary to the primary structural components and are necessary parts of the building, including porches and steps, windows and window units, doors and door units, chimneys, gutters and downspouts.

Each primary and secondary component was evaluated separately as a basis for determining the overall condition of individual buildings. This evaluation considered the relative importance of specific components within a building, and the effect that deficiencies in the various components have on the remainder of the building.

2. Building Rating Classifications

Based on the evaluation of building components, each building was rated and classified into one of the following categories:

Sound
Buildings which contain no defects, are adequately maintained, and require no treatment outside of normal maintenance as required during the life of the building.

Deficient
Buildings which contain defects (loose or missing material or holes and cracks) over either limited or widespread areas which may or may not be correctable through the course of normal maintenance (depending on the size of the building or number of buildings in a large complex). Deficient buildings contain defects which, in the case of limited or minor defects, clearly indicate a

lack of or a reduced level of maintenance. In the case of major defects, advanced defects are present over widespread areas, perhaps including mechanical systems, and would require major upgrading and significant investment to correct.

Dilapidated
Buildings which contain major defects in primary and secondary components and mechanical systems over widespread areas and within most of the floor levels. The defects are so serious and advanced that the building is considered to be substandard, requiring improvements or total reconstruction which may either be infeasible or difficult to correct.

Conclusion

Area 1
No substandard (dilapidated) buildings were found to be present in Area 1 of the Project Area. Dilapidation as a factor is not present in Area 1 of the Project Area.

Area 2
Of the 18 buildings within Subarea B of Area 2, two buildings are in a substandard (dilapidated) condition. The factor of dilapidation is present to a limited extent in Subarea B of Area 2.

Figure 4, *Dilapidation*, illustrates the location of substandard buildings in the Project Area.

C. OBSOLESCENCE

Webster's New Collegiate Dictionary defines "obsolescence" as "being out of use; obsolete." "Obsolete" is further defined as "no longer in use; disused" or "of a type or fashion no longer current." These definitions are helpful in describing the general obsolescence of buildings or site improvements in a proposed redevelopment project area. In making findings with respect to buildings, it is important to distinguish between functional obsolescence, which relates to the physical utility of a structure, and economic obsolescence, which relates to a property's ability to compete in the market place.

Functional Obsolescence
Historically, structures have been built for specific uses or purposes. The design, location, height, and space arrangement are intended for a specific occupant at a given time. Buildings become obsolete when they contain characteristics or deficiencies which limit their use and marketability after the original use ceases. The characteristics may include loss in value to a property resulting from an inherent deficiency existing from poor design or layout, the improper orientation of the building on its site, etc., which detracts from the overall usefulness or desirability of a property.

Economic Obsolescence
Economic obsolescence is normally a result of adverse conditions which cause some degree of market rejection and, hence, depreciation in market values.

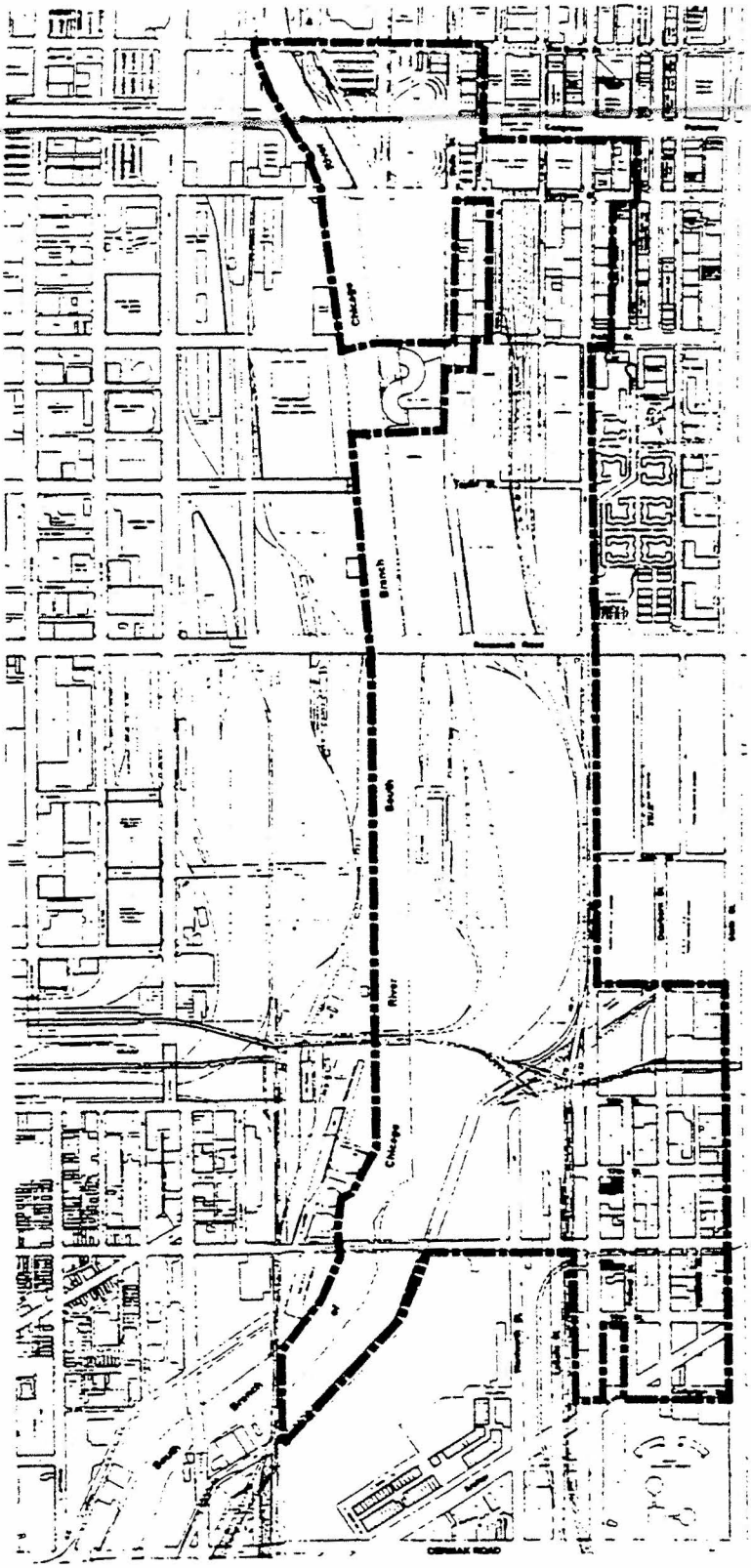


Figure 4

DILAPIDATION

RIVER SOUTH **Chicago, Illinois**

Tax Increment Financing Redevelopment Project

Prepared by: Trkla, Pettigrew, Allen, & Payne

2. Obsolete Platting

The Project Area, including Area 1 and Subarea B of Area 2, was originally platted well before the turn of the century. The western portion of Area 1 consists primarily of rectangular-shaped blocks containing alleys and lots of 25 feet in width. The eastern portion of Area 1 consists primarily of long, narrow blocks, and is characterized by streets which are more narrow than most in the downtown area. Subarea B of Area 2 consists primarily of narrow 134-foot wide blocks which are separated by 66-foot street rights-of-ways. These narrow blocks lack alleys and are insufficient for off street loading. Overall, the platting within the Project Area is not consistent with modern day standards.

Conclusion

Area 1
Seventeen of the 32 buildings in Area 1 (53.1 percent) are obsolete and obsolete platting is present throughout much of Area 1. Obsolescence as a factor is present to a major extent in Area 1

Area 2, Subarea B
Nine of the 18 buildings in Subarea B of Area 2 (50.0 percent) are obsolete and obsolete platting is present throughout much of Subarea B of Area 2. Obsolescence as a factor is present to a major extent in Subarea B of Area 2.

Figure 5, *Obsolescence*, illustrates the location of obsolete buildings in the Project Area.

D. DETERIORATION

Deterioration refers to any physical deficiencies or disrepair in buildings or site improvements requiring treatment or repair.

- Deterioration may be evident in basically sound buildings containing minor defects, such as lack of painting, loose or missing materials, or holes and cracks over limited areas. This deterioration can be corrected through normal maintenance.

- Deterioration which is not easily correctable and cannot be accomplished in the course of normal maintenance may also be evident in buildings. Such buildings may be classified as minor deficient or major deficient buildings, depending upon the degree or extent of defects. Minor deficient and major deficient buildings are characterized by defects in the secondary building components (*e.g.*, doors, windows, fire escapes, gutters and downspouts, fascia materials, etc.), and defects in primary building components (*e.g.*, foundations, exterior walls, floors, roofs, etc.), respectively.

It should be noted that all buildings and site improvements classified as dilapidated are also deteriorated.

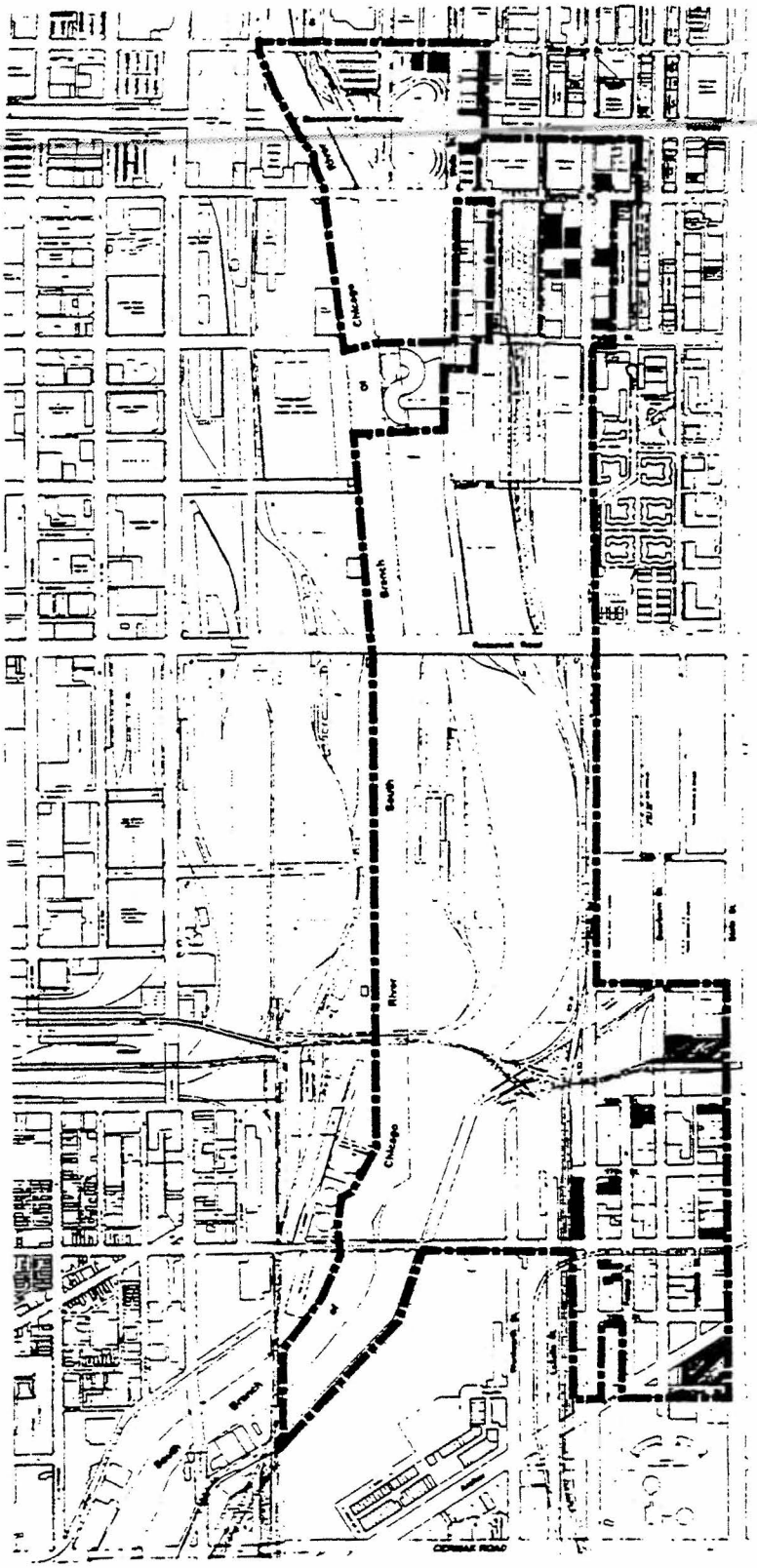


Figure 5
OBSOLESCENCE

RIVER SOUTH **Chicago, Illinois**

Tax Increment Financing Redevelopment Project

Prepared by: Trkla, Pettigrew, Allen, & Payne

Deterioration of Buildings

The analysis of building deterioration is based on the survey methodology and criteria described in the preceding section on "Dilapidation." Eighteen of the 32 buildings in Area 1, or 56.0 percent, are classified as deteriorating or deteriorated. Twelve of the 18 buildings in Subarea B of Area 2, or 66.7 percent, are classified as deteriorating or deteriorated.

Table 2, *Summary of Building Deterioration,* summarizes building deterioration within the blocks containing buildings in the Project Area.

Deterioration of Alleys

Field surveys were conducted to identify the condition of all alleys in the Project Area. Alleys in poor condition include those consisting of cobblestone surfaces or a combination of gravel and earth surfaces, and alleys with irregular surfaces that are characterized by depressions, weed overgrowth and poor drainage. Alleys with these problem conditions include the alley in Block 238 in Area 1, and all alleys in Subarea B of Area 2.

Deterioration of Street Pavement, Curbs and Gutters.

Except for State Street and Clark Street, all local streets in Subarea B of Area 2 have pavements in extremely poor condition, including semi-permanent surfaces, large pot holes and ruts. The streets also lack curbs and gutters and are covered with debris.

Conclusion

Area 1

Deterioration as a factor is present to a major extent in Area 1. Eighteen buildings, or 55.0 percent of the total in Area 1, are classified as deteriorating or deteriorated. Deterioration as a factor is also found in alleys within Area 1.

Area 2, Subarea B

Deterioration as a factor is present to a major extent in Subarea B of Area 2. A total of 12 buildings, or 66.7 percent of the buildings in Subarea B, are classified as deteriorating or deteriorated. Deterioration as a factor is also found in alleys and streets, parking lots and loading and service areas within Subarea B.

Figure 6, *Deterioration,* illustrates deterioration within the built-up portions of the Project Area.

Table 2: Summary of Building Deterioration

Area 1

Tax Block No.	No. Of Buildings	Building Condition: Sound	Deteriorated/ Deteriorating	Substandard/ Dilapidated
237 N	1	1	0	0
238 N	5	0	5	0
241 N	6	3	3	0
242 N	1	1	0	0
243 N	1	1	0	0
244 N	3	2	1	0
404 N	10	4	6	0
405 N	5	2	3	0
Area 1 Subtotal	**32**	**14**	**18**	**0**
Area 2 Subarea B				
210 S	2	1	1	0
401 S	1	0	1	0
402 S	3	1	2	0
403 S	3	2	0	1
404 S	1	0	1	0
405 S	1	0	1	0
407-S	2	0	1	1
409-S	1	1	0	0
410 S	1	0	1	0
412-S	1	1	0	0
414-S	1	0	1	0
427 S	1	0	1	0
Area 2 Subtotal	**18**	**6**	**10**	**2**
Project Area Total	**50**	**20**	**28**	**2**
Percent	**100.0**	**40.0**	**56.0**	**4.0**

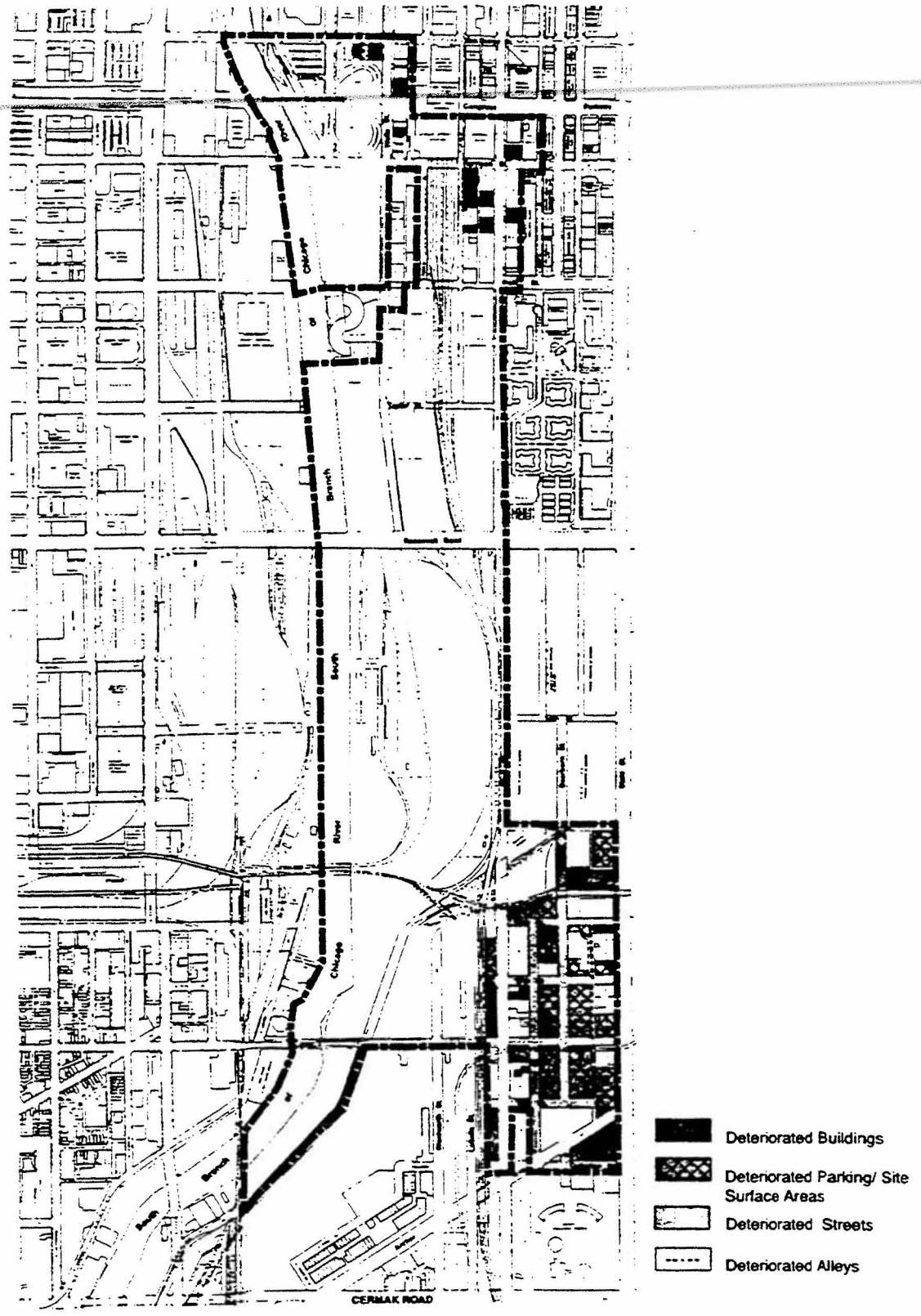


Figure 6
DETERIORATION

RIVER SOUTH **Chicago, Illinois**

Tax Increment Financing Redevelopment Project

Prepared by: Trkla, Pettigrew, Allen, & Payne

E. ILLEGAL USE OF INDIVIDUAL STRUCTURES

Illegal use of individual structures refers to the presence of uses or activities which are not permitted by law.

Conclusion

No illegal uses of individual structures were evident from the field surveys conducted.

F. PRESENCE OF STRUCTURES BELOW MINIMUM CODE STANDARDS

Structures below minimum code standards include all structures which do not meet the standards of subdivision, building, housing, property maintenance, fire, or other governmental codes applicable to the property. The principal purposes of such codes are to require buildings to be constructed so that they will be strong enough to support the loads expected, to be safe for occupancy against fire and similar hazards, and/or to establish minimum standards essential for safe and sanitary habitation. Structures below minimum code are characterized by defects or deficiencies which threaten health and safety.

Determination of the presence of structures below minimum code standards was based upon interior surveys of the 14 buildings for which TPAP could gain sufficient access to conduct interior surveys. Eight of the 14 buildings surveyed were found to be below minimum code standards either on the basis of code related defects on the interior, or in combination with advanced defects and deterioration noted on the exterior.

The following conditions were found to be in non-compliance:

- Lack of ADA (Americans with Disabilities Act) accessibility requirements, including undersized lobbies and elevators; elevators without floor identification for the visually impaired; and restrooms without proper access width and special hardware.
- Ceilings in habitable areas lower than 8 feet, and exposed ceilings in fire-rated areas.
- Improper wiring, exposed wiring and junction boxes, extension cords, and old brittle cloth-cased wiring.
- Open stairs or enclosed stairs without proper B-label fire rated doors or lack of panic hardware and closers.
- Lack of or inoperable sprinkler or fire alarm systems.
- Unsanitary conditions, dusty conditions, and flammable storage in vacant or underutilized areas.

Information with respect to code compliance for the Project Area was provided to TPAP by the City of Chicago Department of Buildings. The information provided included a list of building code violations since January 1, 1994 by address and street name. Of the 32 buildings in Area 1, 22,

or 68.8 percent, were identified as being in violation of code standards. Eleven of the 18 buildings in Subarea B of Area 2, or 61.0 percent, were identified as being in violation.

Conclusion

Area 1
The factor of structures below minimum code standards is present to a major extent in Area 1. A total of 22 buildings, or 68.8 percent of the 32 buildings in Area 1, are below minimum code standards.

Area 2, Subarea B
The factor of structures below minimum code standards is present to a major extent in Subarea B of Area 2. A total of 11 buildings, or 61.1 percent of the 18 buildings in Subarea B of Area 2, are below minimum code standards.

Figure 7, *Structures Below Minimum Code*, illustrates buildings and site improvements which are below minimum code standards.

G. ABANDONMENT

Abandonment as a factor applies only to conservation areas. Webster's New Collegiate Dictionary defines "abandon" as "to give up with the intent of never again claiming one's right or interest"; or "to give over or surrender completely; to desert."

Conclusion
Based on the analysis of properties within Area 1 of the Project Area, abandonment as a factor is not found to be present.

H. EXCESSIVE VACANCIES

Excessive vacancies as a factor refers to the presence of buildings or sites which are either unoccupied or not fully utilized, and which exert an adverse influence on the surrounding area because of the frequency or duration of vacancies. Excessive vacancies include properties for which there is little expectation for future occupancy or utilization.

Excessive building vacancies are found throughout much of Area 1 and building vacancies as well as vacant land areas are present to a widespread extent in Subarea B of Area 2. Vacancies are especially prevalent in older, multi-story warehouse buildings.

Information regarding vacancies in individual buildings was obtained from a combination of property tax appeal files maintained by the Cook County Assessor's office and from interior and exterior building surveys conducted by TPAP and Andrew Heard & Associates.

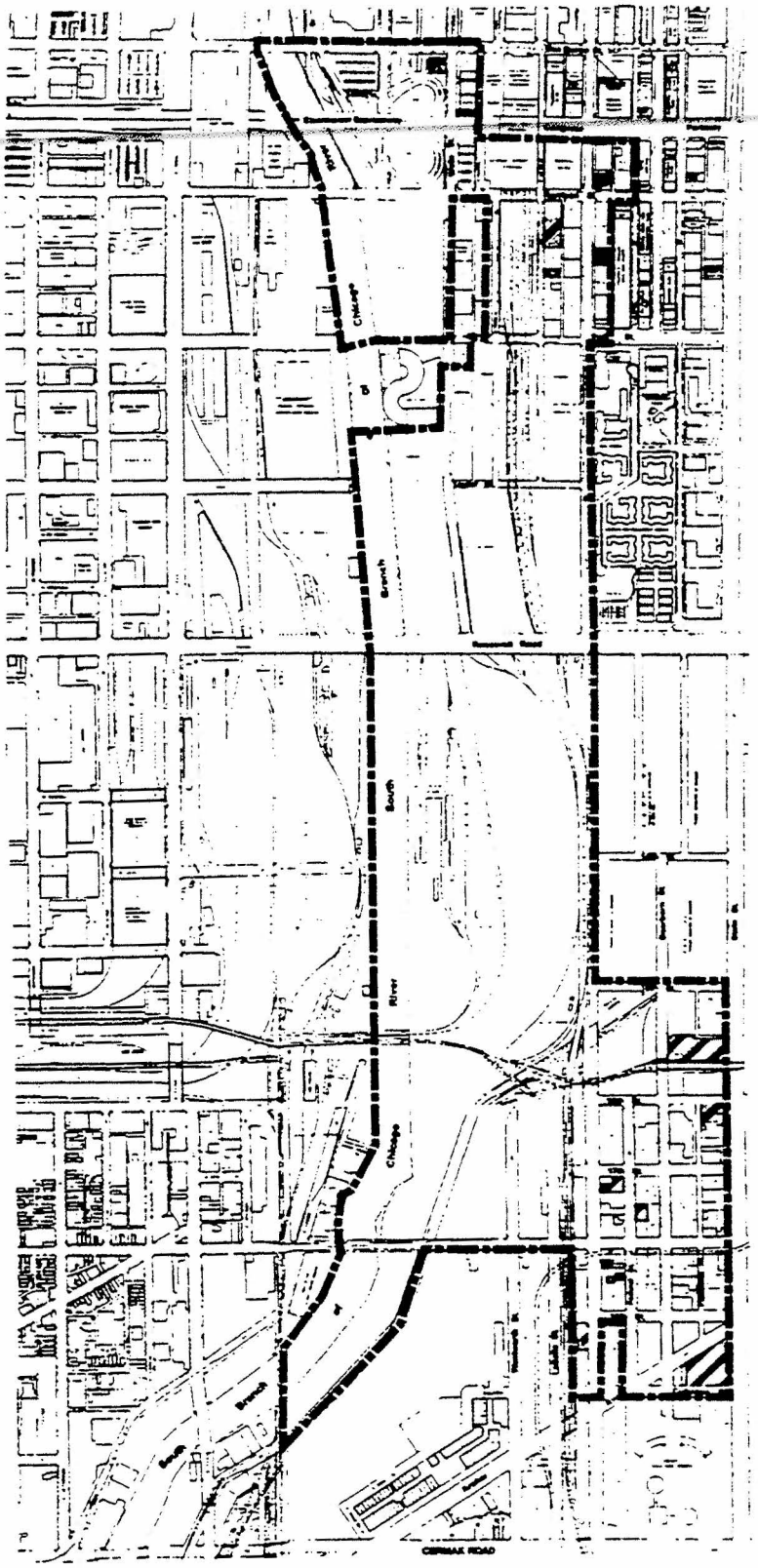


Figure 7

BUILDINGS BELOW MINIMUM CODE

RIVER SOUTH **Chicago, Illinois**

Tax Increment Financing Redevelopment Project

Prepared by: Trkla, Pettigrew, Allen, & Payne

Conclusion

Area 1

The factor of excessive vacancies is present to a major extent in Area 1 of the Project Area. Ten buildings, or 31.2 percent of the total buildings in Area 1, contain floor areas which are 20 percent vacant or more.

Area 2, Subarea B

The factor of excessive vacancies is present to a major extent in Subarea B of Area 2. Sixteen buildings in Subarea B, or 88.9 percent of the total, are predominantly or entirely vacant.

Figure 8, *Excessive Vacancies*, illustrates buildings in the Project Area which are 20 percent or more vacant.

I. OVERCROWDING OF STRUCTURES AND COMMUNITY FACILITIES

Overcrowding of structures and community facilities refers to the utilization of public or private buildings, facilities, or properties beyond their reasonable or legally permitted capacity. Overcrowding is frequently found in buildings originally designed for a specific use and later converted to accommodate a more intensive use without adequate regard for minimum floor area requirements, privacy, ingress and egress, loading and services, capacity of building systems, etc.

Conclusion

No conditions of overcrowding of structures and community facilities have been documented as part of the exterior or interior surveys undertaken within the Project Area.

J. LACK OF VENTILATION, LIGHT, OR SANITARY FACILITIES

Lack of ventilation, light, or sanitary facilities refers to substandard conditions which adversely affect the health and welfare of building occupants, *e.g.*, residents, employees, or visitors.
Typical requirements for ventilation, light, and sanitary facilities include:

- Adequate mechanical ventilation for air circulation in spaces/rooms without windows, *i.e.*, bathrooms, and rooms that produce dust, odor or smoke;
- Adequate natural light and ventilation by means of skylights or windows, proper window sizes, and adequate room area to window area ratios; and
- Adequate sanitary facilities, *i.e.*, garbage storage/enclosure, bathroom facilities, hot water, and kitchens.

Conclusion

The factor of lack of ventilation, light, or sanitary facilities is not documented as part of this report.

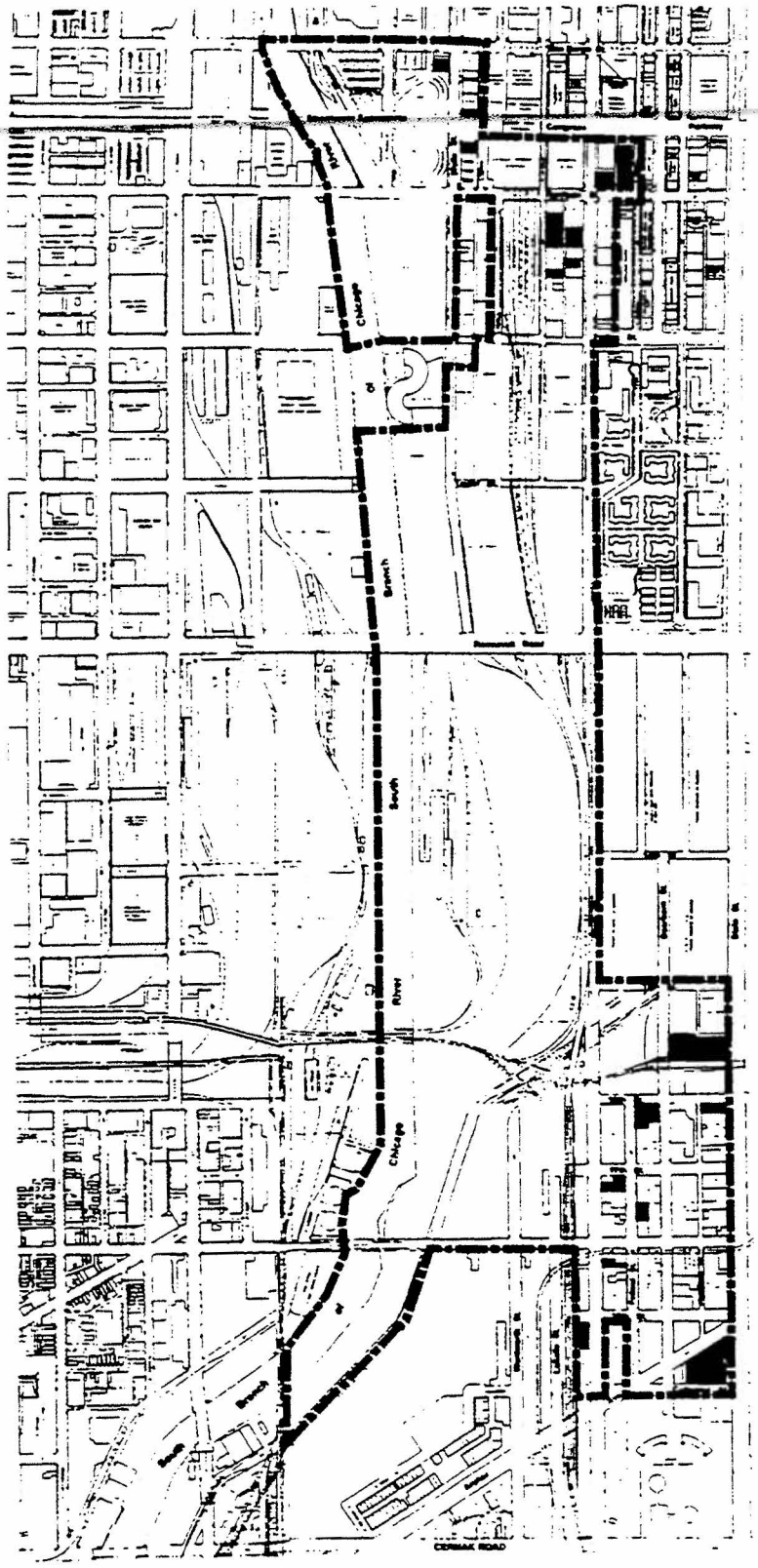


Figure 8

EXCESSIVE VACANCIES

RIVER SOUTH **Chicago, Illinois**

Tax Increment Financing Redevelopment Project

Prepared by: Trkla, Pettigrew, Allen, & Payne

K. INADEQUATE UTILITIES

Inadequate utilities refers to deficiencies in the capacity or condition of utilities which service a property or area, including, but not limited to, storm drainage, water supply, electrical power, streets, sanitary sewers, gas and electricity.

Conclusion

No determination of existing utilities and conditions of inadequate utilities has been documented as part of the surveys and analyses undertaken within the Project Area.

L. EXCESSIVE LAND COVERAGE

Excessive land coverage refers to the over-intensive use of land and the crowding of buildings and accessory facilities on a site. Problem conditions include buildings either improperly situated on the parcel or located on parcels of inadequate size and shape in relation to present-day standards for health and safety. The resulting inadequate conditions include such factors as insufficient provision for light and air, increased threat of the spread of fires due to the close proximity of buildings, lack of adequate or proper access to a public right-of-way, lack of required off-street parking, and inadequate provisions for loading and service. Excessive land coverage has an adverse or blighting effect on nearby development.

While lot coverage, building setback, and yard requirements may not comply with the current zoning practices of the City, Area 1 and Subarea B of Area 2 developed prior to existing zoning requirements, and are similar to other older, developed sections of the downtown area.

Conclusion

No conditions of excessive land coverage have been documented as part of the survey and analysis undertaken within the Project Area.

M. DELETERIOUS LAND-USE OR LAYOUT

Deleterious land-uses include all instances of incompatible land-use relationships, buildings occupied by inappropriate mixed uses, and uses which may be considered noxious, offensive or otherwise environmentally unsuitable.

Deleterious layout includes evidence of improper or obsolete platting of the land, inadequate street layout, and parcels of inadequate size or shape to meet contemporary development standards. It also includes evidence of improper layout of buildings on parcels and in relation to other nearby buildings.

Conclusion

While deleterious layout is described in the "Obsolescence" and "Lack of Community Planning" sections of this report, the factor of deleterious land use was not found to be sufficiently present throughout the Project Area to be documented as part of this study.

N. DEPRECIATION OF PHYSICAL MAINTENANCE

Depreciation of physical maintenance refers to the deferred maintenance of buildings, parking areas and public improvements such as alleys, sidewalks and streets.

The presence of this factor within the Project Area includes:

- Buildings. Of the 32 buildings in Area 1, 15 suffer from deferred maintenance of windows, doors, store fronts, exterior walls, cornices, fire escapes, steps, loading docks, fascias and mechanical systems.

  Similarly, of the 18 buildings in Subarea B of Area 2, 12 buildings exhibit deferred or lack of maintenance.

- Streets, alleys, sidewalks, curbs and gutters. Deteriorated sections of these public improvements are present in one block in Area 1 and in all streets in Subarea B of Area 2, except Clark and State Streets.

- Parking surface and site surface areas. All blocks in Subarea B of Area 2 contain parking lots and other site areas with rough gravel or poor asphalt and concrete surfaces.

Conclusion

Area 1
The depreciation of physical maintenance of buildings and site improvements as a factor is present to a major extent in Area 1. Fifteen buildings and 1 alley suffer from deferred maintenance.

Area 2, Subarea B
The depreciation of physical maintenance of buildings and site improvements as a factor is present to a major extent in Subarea B of Area 2. Twelve of the 18 buildings suffer from deferred maintenance. In addition, interior streets, alleys and site surface areas are severely deteriorated.

Figure 9, *Depreciation of Physical Maintenance*, illustrates the presence of the factor in the built-up portions of the Project Area.

O. LACK OF COMMUNITY PLANNING

With very few exceptions, most of the blocks were platted and buildings were constructed in Area 1 of the Project Area prior to the existence of a community plan. The blocks in and around Area 1 were originally platted and developed on a parcel-by-parcel and building-by-building basis, with little evidence of coordination and planning among buildings and activities. Similarly, Subarea B of Area 2 consists of combination of large and small blocks, an incomplete street system, and no apparent correlation between building size, placement or use.

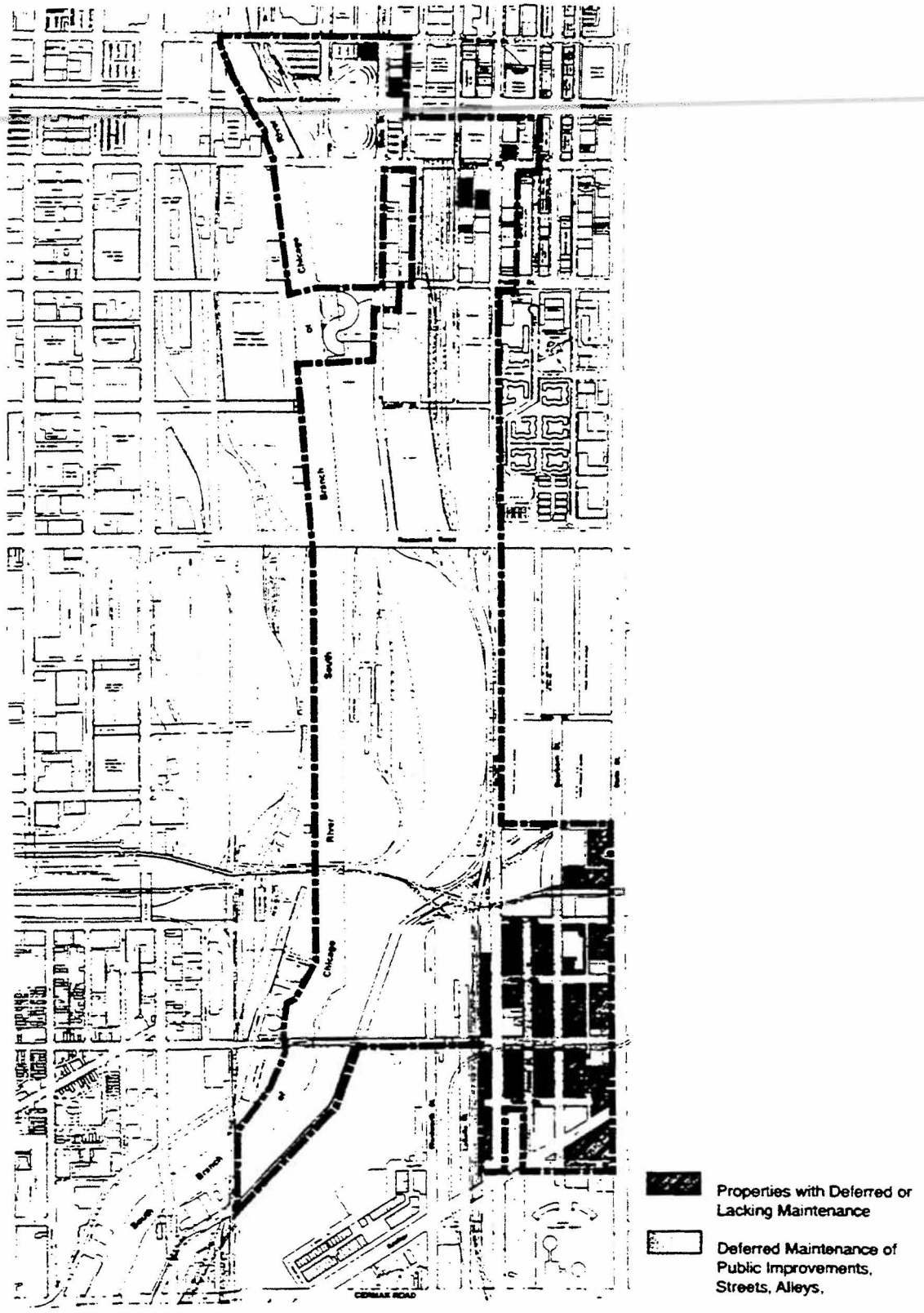


Figure 9

DEPRECIATION OF PHYSICAL MAINTENANCE

RIVER SOUTH **Chicago, Illinois**

Tax Increment Financing Redevelopment Project

Prepared by: Trkla, Pettigrew, Allen, & Payne

The lack of community planning prior to development has contributed to some of the problem conditions which characterize the overall Project Area.

Area 1 includes numerous small, fully developed blocks, while Subarea B of Area 2 contains small, underdeveloped blocks. Both areas indicate a disproportionate and excessive amount of area devoted to street and alley right-of-way. Two streets, Financial Place and LaSalle Street, are extremely narrow and allow for only limited vehicular movement. Of the total 44.0 acres in Area 1, approximately 14.6 acres, or 35.6 percent, are devoted to streets and alleys. Within Subarea B of Area 2, street and alley right-of-way total 15.6 acres, or 34.4 percent of the total land area. Both areas contain blocks with an inconsistent pattern of building size and height, including small single-story buildings and larger multi-story buildings within the same block. Surface parking areas exist in four blocks in Area 1, on properties where buildings have been removed, and much of Subarea B of Area 2 consists of vacant land areas.

Conclusion

Area 1

The factor of lack of community planning is present to a major extent throughout Area 1 of the Project Area.

Subarea B, Area 2

The factor of lack of community planning is present to a major extent throughout Subarea B of Area 2.

IV. ELIGIBILITY SURVEY AND ANALYSIS FINDINGS: VACANT AREA

Throughout a major portion of the City's history, the South Loop area was the location for intense railroad use and operations. These railroad uses dominated the South Loop landscape from Lake Shore Drive to the Chicago River and from Van Buren Street to Cermak Road. Subarea A of Area 2 of the Project Area is located entirely within these boundaries.

The City's interest in redeveloping the former railroad areas south of the Loop is not new. The *Passenger Terminal Consolidation Study*, a report prepared by DeLeuw, Cather & Company in March of 1959, is quoted below.

> *During the past half century, consolidation of Chicago's south-of-the-loop railroad passenger terminals has been the subject of numerous engineering studies and investigations. The majority of these studies were prompted by the City's desire to remove from the area generally bounded by State, Van Buren and Sixteenth Streets and the Chicago River the blighting influence of stations, freight houses, sheds and tracks and to convert these railroad occupied lands to a higher and better usage through planned redevelopment.*

Figure 10, *Railroad Land and Use, 1959,* identifies the railroad stations and other railroad operations which were located in the area from Van Buren Street to Cermak Road between State Street and the Chicago River in 1959. Figure 10 illustrates that virtually all of the land within Subarea A of Area 2 was used for railroad operations, including active railroad trackage, freight houses, mail platforms and related office uses.

Nearly 40 years after the study by DeLeuw, Cather & Company, the only railroad uses remaining in Subarea A of Area 2 include the Rock Island Metra line, two CTA rapid transit lines and the lightly used St. Charles Airline. The remainder of Subarea A has remained undeveloped and contains only remnants of tracks, building debris and scrub vegetation.

Conclusion

Subarea A of Area 2 consists of unused railyards, rail tracks and railroad rights-of-way and qualifies as a "vacant" blighted area as defined in the Act.

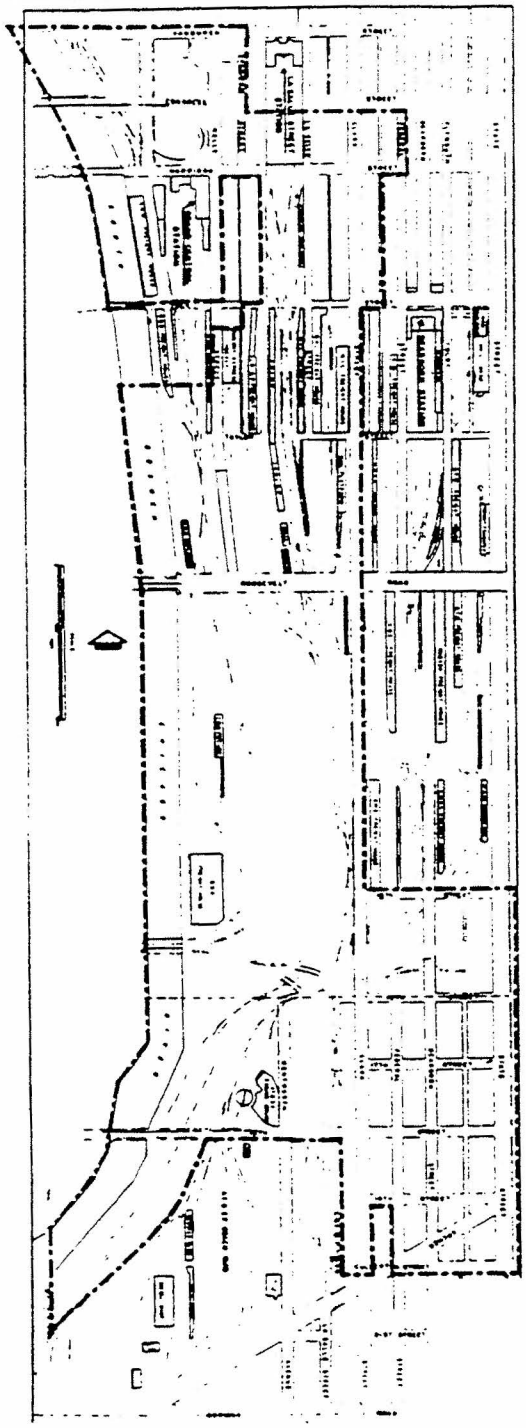


Figure 10
RAILROAD LAND AND USE, 1959

Source: Deleuw, Cather & Co., Sanderson & Porter Passenger Terminal Consolidation Study 3/59.

north

V. DETERMINATION OF PROJECT AREA ELIGIBILITY

AREA 1 - CONSERVATION AREA

Area 1 of the Project Area meets the requirements of the Act for designation as a "conservation area." Over 50 percent of the buildings are 35 years in age or older. Of the total 32 buildings in Area 1, 28 (or 87.5 percent) are thirty-five years of age or older.

In addition to age, there is a reasonable presence and distribution of 6 of the 14 factors listed in the Act for conservation areas. These conservation factors include the following:

1. Obsolescence
2. Deterioration
3. Structures below minimum code standards
4 Excessive vacancies
5. Depreciation of physical maintenance
6. Lack of Community Planning

Area 1 is not yet a blighted area but is deteriorating and declining and may become a blighted area.

AREA 2 - BLIGHTED AREA

Subarea A

Subarea A of Area 2 meets the requirements of the Act for designation as a vacant "blighted area". The sound growth of the taxing districts is impaired by the presence of unused railyards, rail tracks or railroad rights-of-way.

Subarea B

Subarea B of Area 2 meets the requirements of the Act for designation as an improved "blighted area." There is a reasonable presence and distribution of 8 of the 14 factors listed in the Act for improved blighted areas. These blighting factors include the following

1. Age
2. Dilapidation
3. Obsolescence
4. Deterioration

5. Structures below minimum code standards
6. Excessive vacancies
7. Depreciation of physical maintenance
8. Lack of community planning

Subarea B of Area 2 includes vacant lots and blocks characterized by obsolete platting and diversity of ownership and which are adjacent to deteriorating structures or site improvements.

A summary of conservation and blight factors by block is contained in Table 3, *Distribution of Conservation and Blighting Factors* and in Figure 11, *Summary of Conservation and Blight Factors*.

The eligibility findings indicate that the Project Area is in need of revitalization and guided growth to ensure that it will contribute to the long-term physical, economic, and social well-being of the City. The Project Area is deteriorating and declining. All factors indicate that the Project Area as a whole has not been subject to growth and development through investment by private enterprise, and would not reasonably be anticipated to be developed without public action.

Table 3: Distribution Of Conservation and Blighting Factors
Area 1 - Conservation Area Factors

	BLOCK NUMBERS								
Conservation Factors	237	238	239	241	242	243	244	404	405
Age		■		■		■	■	■	■
Other Factors									
1. Dilapidation									
2. Obsolescence		■		□			□	■	■
3. Deterioration		■		■			□	■	□
4. Illegal use of individual structures									
5. Structures below minimum code		■		□			□	■	■
6. Abandonment									
7. Excessive vacancies		■		□			■	■	
8. Overcrowding of structures and community facilities									
9. Lack of ventilation, light or sanitary facilities									
10. Inadequate utilities									
11. Excessive land coverage									
12. Deleterious land-use or layout									
13. Depreciation of physical maintenance		■		■			□	■	□
14. Lack of community planning	■	■	■	■	■	■	■	■	■

Not present or not examined
□ Present to a limited extent
■ Present to a major extent

--continued--

Table 3 Distribution of Conservation and Blighting Factors
--continued--

Area 2-Subarea B		BLOCK NUMBERS								
Blighting Factors		**210**	**400**	**401**	**402**	**403**	**404**	**405**	**407**	**408**
1.	Age	■		■	■	□	■	■	■	
2.	Dilapidation					□			■	
3.	Obsolescence	■	□	■	■	■	□	□	■	□
4.	Deterioration	■	■	■	■	■	■	■	■	□
5.	Illegal use of individual structures									
6.	Structures below minimum code	■			□	■	■		■	
7.	Excessive vacancies	■	■	■	■	□	■	■	■	■
8.	Overcrowding of structures and community facilities									
9.	Lack of ventilation, light or sanitary facilities									
10.	Inadequate utilities									
11.	Excessive land coverage									
12.	Deleterious land-use or layout									
13.	Depreciation of physical maintenance	■	■	■	■	■	■	■	■	■
14	Lack of community planning	■	■	■	■	■	■	■	■	■

Not present or not examined

□ Present to a limited extent

■ Present to a major extent

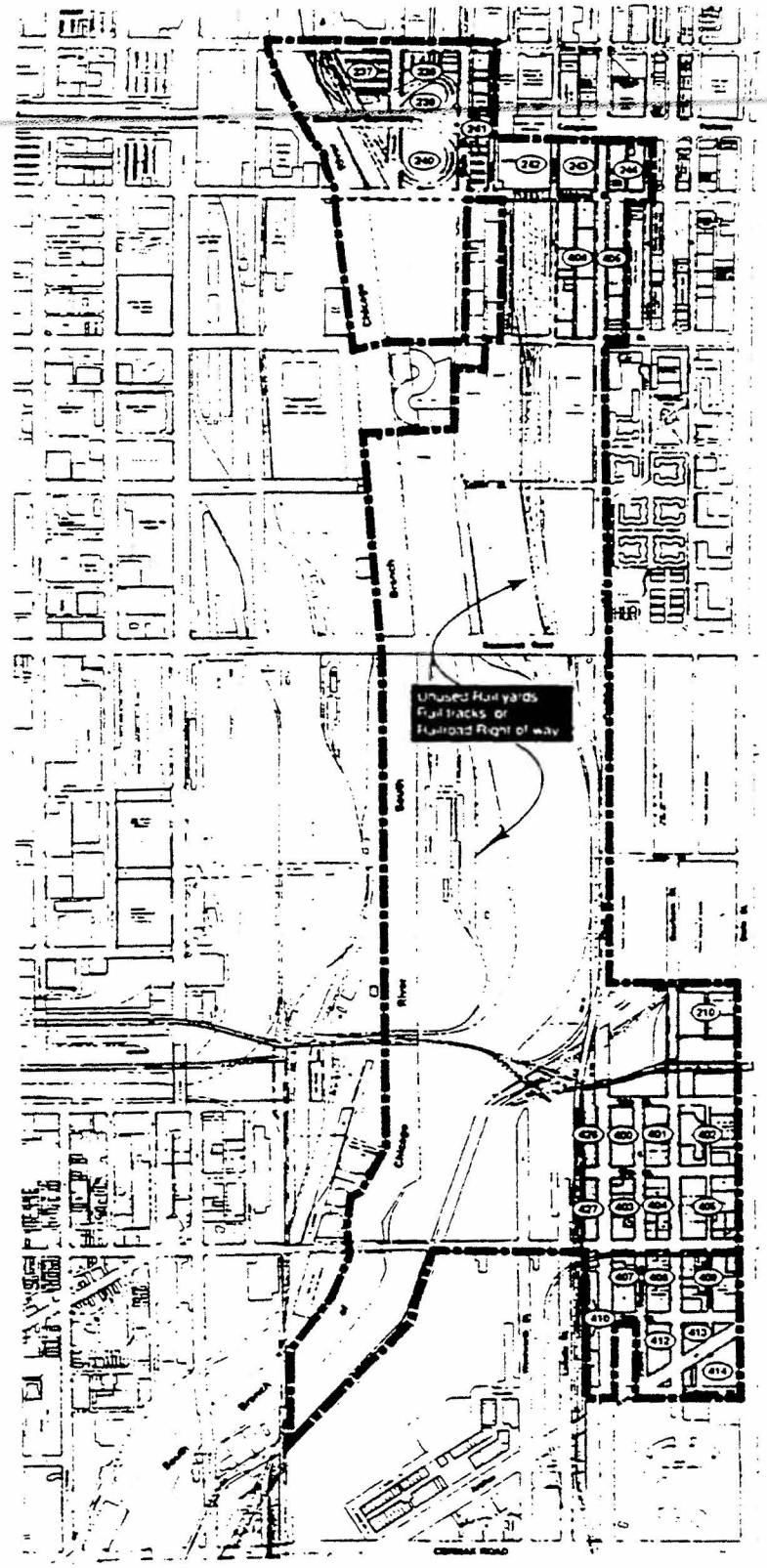
Table 3 Distribution of Conservation and Blighting Factors
--continued--

Area 2-Subarea B (continued)		BLOCK NUMBERS					
Blighting Factors		409	410	412	413	414	426/427
1.	Age	■	■			■	■
2.	Dilapidation						
3.	Obsolescence	□	■		□	■	■
4.	Deterioration	□	■	□	□	■	□
5.	Illegal use of individual structures						
6.	Structures below minimum code		■			■	
7.	Excessive vacancies	■	■		□	■	■
8.	Overcrowding of structures and community facilities						
9.	Lack of ventilation, light or sanitary facilities						
10.	Inadequate utilities						
11.	Excessive land coverage						
12.	Deleterious land-use or layout						
13.	Depreciation of physical maintenance	■	■	□	□	■	■
14	Lack of community planning	■	■	■	■	■	■

Not present or not examined

□ Present to a limited extent

■ Present to a major extent



CONSERVATION AREA FACTORS

1. Obsolescence
2. Deterioration
3. Structures Below Minimum Code Standards
4. Excessive Vacancies
5. Depreciation of Physical Maintenance
6. Lack of Community Planning

VACANT BLIGHTED AREA FACTORS

Unused Rail yards, Rail Tracks, or Railroad Right-of-Way

IMPROVED BLIGHTED AREA FACTORS

1. Age
2. Dilapidation
3. Obsolescence
4. Deterioration
5. Structures Below Minimum Code Standards
6. Excessive Vacancies
7. Depreciation of Physical Maintenance
8. Lack of Community Planning

See Table 3 for the Conservation or Blight Factors present in each improved block

Figure 11
SUMMARY OF CONSERVATION AND BLIGHT FACTORS

500 1000 1500 3000 north

1998 Annual Report

River South
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

121 North LaSalle Street
Chicago, Illinois 60602
(312) 744-4190
(312) 744-2271 (FAX)
http://www.ci.chi.il.us

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 River South 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,

Christopher R. Hill
Commissioner
Department of Planning and Development

Walter K. Knorr
Chief Financial Officer

ERNST & YOUNG LLP

Suite 400
111 North Canal
Chicago, Illinois 60606

Phone: 312 879 2000

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 River South 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

River South Redevelopment Project Area
1998 Annual Report

TABLE OF CONTENTS

ANNUAL REPORT - RIVER SOUTH REDEVELOPMENT PROJECT AREA IN COMPLIANCE WITH SECTION (4) OF THE MAYOR'S EXECUTIVE ORDER 97-2

River South Redevelopment Project Area
1998 Annual Report

Purpose of Report:

The purpose of the Annual Report for the River South 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 River South 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.

(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.

(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.

(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;

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;

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

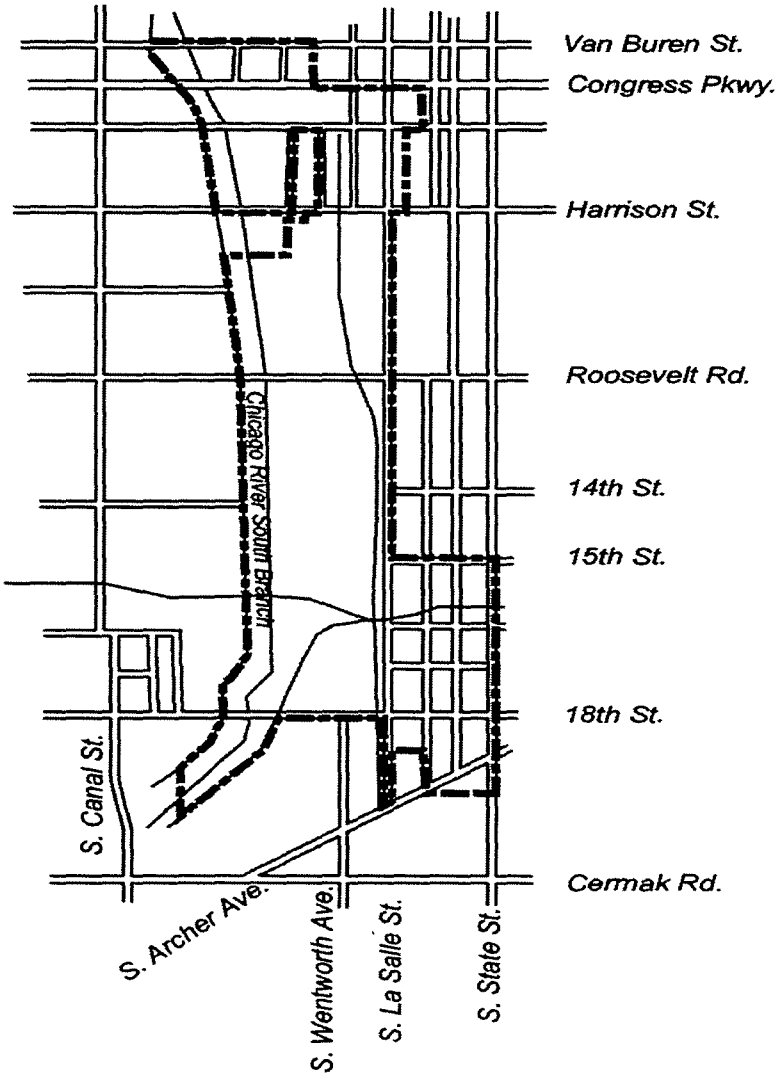
Table L provides information about contracts, if any, between the TIF consultant who was paid by the City for assisting to establish the Project Area and paid by any entity that has received or is currently receiving payments financed by tax increment revenues from the Project Area. The contents of Table 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.

(a) GENERAL DESCRIPTION

The Project Area generally encompasses the area bounded by Van Buren Street and Congress Parkway on the north, Federal Street, Clark Street, and State Street on the east; Cullerton Street on the south; and the Chicago River and Stewart Avenue on the west. 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).



(b) DATE OF DESIGNATION AND TERMINATION

The Project Area was designated by the Chicago City Council on July 30, 1997. The Project Area may be terminated no later than July 30, 2020.

(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.

(e) DESCRIPTION OF TIF PROJECT(S)

TABLE E
DESCRIPTION OF TIF PROJECTS APPROVED BY THE COMMUNITY DEVELOPMENT COMMISSION WITH EXPENDITURES DURING THE PRIOR CALENDAR YEAR

NATURE OF PROJECT	BUDGETED PROJECT COST	TIF ASSISTANCE ALLOCATED TO THE PROJECT	ESTIMATED TIMETABLE	PRIOR YEAR CHANGES IN TIMETABLE	TOTAL CITY TAX INCREMENT EXPENDITURES DURING 1998	TOTAL CITY TAX INCREMENT EXPENDITURES TO DATE	TYPE OF TIF FINANCING	DATE OF TIF FINANCING	TERM OF TIF FINANCING	PRINCIPAL AMOUNT OF TIF FINANCING	PROJECT RECIPIENT	PURPOSE OF PROJECT FINANCING
Public Works/ Improvements	$34,127,600	$31,627,314	7/15/98-7/20/99	3/98-3/99	$8,840,000	$10,040,000	Incremental Revenue	N.A.(1)	N.A.(1)	N.A.(1)	Public Building Commission	Public Safety Facility

(1) N.A. - not applicable.

(f) DESCRIPTION OF TIF DEBT INSTRUMENTS

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

(g) DESCRIPTION OF CITY CONTRACTS

TABLE G
DESCRIPTION OF CITY CONTRACTS RELATED TO THE PROJECT AREA

CONTRACTING PARTIES WITH THE CITY OF CHICAGO	DATE OF EXECUTION	PURPOSE	AMOUNT OF COMPENSATION PAID IN 1998	PERCENT OF COMPENSATION PAID TO DATE
Bansley & Kiener	1998	Studies/Plan/Admin.	$3,000	100%
Ernst & Young	1998	Studies/Plan/Admin.	$7,692	100%

(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.

(i) DESCRIPTION OF PROPERTY TRANSACTIONS

During 1998, the City did not take or divest title to real property within the Project Area. Additionally, the City was not a lessor or lessee of real property within the Project Area during 1998.

(j) FINANCIAL SUMMARY PREPARED BY THE CITY COMPTROLLER

CITY OF CHICAGO, ILLINOIS
RIVER SOUTH REDEVELOPMENT PROJECT

FINANCIAL REPORT

DECEMBER 31, 1998 AND 1997

CITY OF CHICAGO, ILLINOIS

RIVER SOUTH REDEVELOPMENT PROJECT

C O N T E N T S

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 sheets of the River South Redevelopment Project of the City of Chicago, Illinois, as of December 31, 1998 and 1997, and the related statements of revenues, expenditures and changes in fund balance for the years 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 audits.

We conducted our audits 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 audits provide 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 River South Redevelopment Project of the City of Chicago, Illinois, as of December 31, 1998 and 1997, and the results of its operations and changes in fund balance for the years then ended in conformity with generally accepted accounting principles.

As explained in Note 1 to the financial statements, in 1998 the River South Redevelopment Project of the City of Chicago, Illinois changed its method of accounting for investments.

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 River South Redevelopment Project of the City of Chicago, Illinois. Such additional information has been subjected to the auditing procedures applied in the audits 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

May 4, 1999

CITY OF CHICAGO, ILLINOIS
RIVER SOUTH REDEVELOPMENT PROJECT

BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

A S S E T S	1998	1997
Cash and investments	$25,620,032	$22,941,045
Property taxes receivable	39,192	20,000
Accrued interest receivable	186,434	271,367
Total assets	$25,845,658	$23,232,412
LIABILITIES AND FUND BALANCE		
Deferred revenue	$ 39,192	$ 20,000
Vouchers payable	-	3,038
Total liabilities	39,192	23,038
Fund balance	25,806,466	23,209,374
Total liabilities and fund balance	$25,845,658	$23,232,412

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

CITY OF CHICAGO, ILLINOIS
RIVER SOUTH REDEVELOPMENT PROJECT

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
Revenues		
Interest	$ 947,784	$ 271,367
Expenditures		
Capital projects	8,850,692	1,319,999
Revenues under expenditures	(7,902,908)	(1,048,632)
Other financing sources		
Operating transfers in (Note 2)	10,500,000	24,258,006
Revenues and other financing sources over expenditures	2,597,092	23,209,374
Fund balance, beginning of year	23,209,374	-
Fund balance, end of year	$25,806,466	$23,209,374

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

CITY OF CHICAGO, ILLINOIS
RIVER SOUTH REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Description of Project

The River South Tax Increment Redevelopment Project Area (Project) was established in July 1997. 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, 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.

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.

CITY OF CHICAGO, ILLINOIS
RIVER SOUTH REDEVELOPMENT PROJECT

NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

Note 2 - Operating Transfers In

During 1998 and 1997 in accordance with state statutes, the Project received $10,500,000 and $24,258,006, respectively, from the contiguous North Loop/Central Loop Redevelopment Project for the construction of the District 1 Police Station and other public improvements within the Project area.

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

	1998	1997
Cash flows from operating activities		
Payments for capital projects	$(8,853,730)	$(1,316,961)
Interest received	1,032,717	-
Operating transfers in	10,500,000	24,258,006
Increase in cash and investments	2,678,987	22,941,045
Cash and investments, beginning of year	22,941,045	-
Cash and investments, end of year	$25,620,032	$22,941,045
Reconciliation of revenues and other financing sources over expenditures to net cash provided by operating activities		
Revenues and other financing sources over expenditures	$ 2,597,092	$23,209,374
Adjustments to reconcile revenues and other financing sources over expenditures to net cash provided by operating activities		
Changes in assets - (increase) decrease		
Property tax receivable	(19,192)	(20,000)
Accrued interest receivable	84,933	(271,367)
Changes in liabilities - increase (decrease)		
Deferred revenue	19,192	20,000
Vouchers payable	(3,038)	3,038
	$ 2,678,987	$22,941,045

SCHEDULE OF EXPENDITURES BY STATUTORY CODE

Code Description	1998	1997
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, marketing	$ 10,692	$ 119,999
Costs of property assembly, 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 buildings, and the clearing and grading of land	-	1,200,000
Costs of the construction of public works or improvements	8,840,000	-
	$8,850,692	$1,319,999

(k) DESCRIPTION OF TAX RECEIPTS AND ASSESSMENT INCREMENTS

TABLE K
DESCRIPTION OF TAX RECEIPTS AND ASSESSMENT INCREMENTS

YEAR	MUNICIPAL SALES TAX INCREMENT	STATE SALES TAX INCREMENT	MUNICIPAL UTILITY TAX INCREMENT	NET STATE UTILITY TAX INCREMENT	INITIAL EAV	TOTAL 1997 EAV	TOTAL INCREMENTAL PROPERTY TAXES 1997
1998	N.A. (1)	N.A. (1)	N.A. (1)	N.A. (1)	$64,406,650	N.A. (2)	N.A. (2)

(1) N.A. -not applicable.

(2) N.A. -not available.

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. SANEW 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.
TIMOTHY J. QUINN, C.P.A.

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 River South 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 River South 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

ATTACHMENT
REDEVELOPMENT PLAN

RIVER SOUTH
TAX INCREMENT FINANCING
REDEVELOPMENT PROJECT AND PLAN

City of Chicago, Illinois

This Redevelopment Plan is subject to review
and comment and may be revised
after comment and hearing.

Prepared by:
Trkla, Pettigrew, Allen & Payne, Inc.

April 7, 1997

(l) 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.

(m) COMPLIANCE STATEMENT PREPARED BY AN INDEPENDENT PUBLIC ACCOUNTANT

TABLE OF CONTENTS

FIGURES AND TABLES

EXHIBIT I: **Estimated Redevelopment Project Costs**

EXHIBIT II: **River South Project Area Tax Increment Financing Eligibility Study**

I. INTRODUCTION

Chicago's Near South Area encompasses the area bounded by Congress Parkway on the north, Lake Michigan on the east, the Stevenson Expressway on the south and the Chicago River and Stewart Avenue on the west. It is home to many of the City's outstanding attractions, including several famous museums; the nation's largest convention center; four miles of waterfront along Lake Michigan and the Chicago River; Chinatown; and two historic districts, Printers' Row and Prairie Avenue.

Despite its enviable location in the shadow of the Loop, the Near South Area contains some of the most underdeveloped districts of the City's Central Area. Most of the Near South Area's attractions are concentrated on its perimeter, along the lakefront or adjacent to the City's central business district (or "Loop"). In spite of publicly supported (and very successful) private redevelopment projects, such as Dearborn Park I, Dearborn Park II, Chinatown, River City and Central Station, a large section of the middle portion of the Near South Area remains vacant or underutilized and lacks overall character and identity.

The City has long been aware of the redevelopment potential of the Near South Area. In 1919, the City Council adopted an ordinance which mandated implementation of Daniel Burnham's 1909 plan for the area. More recent planning efforts which addressed the Near South Area include the *1972 Lakefront Plan*, the 1973 *Chicago 21 Plan*, the 1986 *Near South Development Plan* and the 1992 draft report, *The Near South: A Blueprint for Redevelopment*. These plans set forth recommendations for development and redevelopment of the Near South Area and, together with the 1990 *Chicago River Urban Design Guidelines, Downtown Corridor*, form the basis for many of the recommendations presented in this Redevelopment Plan.

As part of a strategy to encourage managed growth and stimulate private investment within that portion of the Near South Area along the Chicago River, the City engaged Trkla, Pettigrew, Allen & Payne, Inc. ("TPAP") to study whether an approximately 285.8 acre area qualifies as a "conservation area" or a "blighted area" under the Illinois Tax Increment Allocation Redevelopment Act. This area, which is generally bounded by the Chicago River, Clark Street, Van Buren Street and Cullerton Street, is referred to as the River South Tax Increment Financing Redevelopment Project Area (the "Project Area").

The Project Area, described in more detail below, has not been subject to growth and development through investment by private enterprise and is not reasonably expected to be developed without the efforts and leadership of the City.

A. THE RIVER SOUTH TAX INCREMENT FINANCING REDEVELOPMENT PROJECT AREA

The Project Area is generally bounded by Van Buren Street and Congress Parkway on the north; Federal Street, Clark Street and State Street on the east; Cullerton Street on the south; and the Chicago River and Stewart Avenue on the west. For a map depicting the boundaries and legal description of the Project Area, see *Section II, Legal Description.*

The Project Area consists of 50 buildings and encompasses a total of 285.8 acres. Approximately 89.3 acres are developed (including rights-of way) and an additional 38.6 acres consist of the Chicago River. The majority of the Project Area, 157.9 acres (or 55.2 percent of the total land area), consists of vacant land and vacated railroad properties, and represents the largest undeveloped site in the Near South Area.

Built-Up (Improved) Areas

The built-up portion of the Project Area consists of two separate subareas. The 44 acre built-up area located generally to the north of Polk Street (the "Northern Built-up Area") contains a mixture of office, commercial, and residential uses and connects the Chicago River and the Loop's financial district to Printer's Row and the larger Near South Area. Major uses in the Northern Built-up Area include the recently rebuilt LaSalle Street Station, the Federal Building and the Ameritech and AT&T buildings, all located in the blocks between Congress Parkway and Harrison Street; and the new Commonwealth Edison cooling facility located along the south side of Van Buren Street between Franklin Street and the Chicago River. While many of the older commercial and industrial buildings adjacent to the Project Area, especially in the Printers' Row district and along Wells Street near River City, have been substantially upgraded and converted to new commercial and residential uses, many of the older buildings in the Northern Built-up Area are characterized by obsolescence, vacancies and physical deterioration. Except for the two recently constructed buildings previously described and the conversion of one building to residential condominiums, little private investment or development has occurred within the Northern Built-up Area.

The second built-up area, comprising 45.3 acres, is located south of Dearborn Park II and west of the conversions, rehabilitation and new construction occurring east of State Street as part of the Near South Tax Increment Financing Redevelopment Project. This "Southern Built-up Area" is generally bounded by 15th Street on the north; State Street on the east, Cullerton Street on the south; and the frontage west of Clark Street on the west. The Southern Built-up Area is characterized by obsolescence, vacancies, advanced deterioration, substandard infrastructure, unsightly outdoor storage areas and a poor overall image and appearance. In addition, the blocks between 15th and 16th Streets are bisected by the "St. Charles Airline," an elevated railroad which cuts through the Project Area and isolates the developments on either side. Except for one fairly substantial rehabilitation (in conjunction with a class 6b property tax incentive), virtually none of

the Southern Built-Up Area has seen private investment in many years, resulting in an overall appearance of disinvestment and blight.

Vacated Railyard Area

The "Vacated Railyard Area," which encompasses 157.9 acres, consists primarily of former railyards, stations, buildings, trackage and other railroad-related sites. Approximately 138.5 acres (or 87.7 percent) of the Vacated Railyard Area consist of former railroad and while the remaining 19.4 acres contain active railroad uses, including the Metra Rock Island line, 2 CTA rapid transit lines and the St. Charles Airline. The Vacated Railyard Area stretches for more than a mile along the Chicago River and, as the largest undeveloped area remaining in the Near South Area, represents a significant opportunity for large-scale, coordinated, mixed-use redevelopment.

In spite of the Vacated Railyard Area's favorable location along the river and in the shadow of the Loop, its former use has resulted in physical isolation and numerous impediments to development and the area presents an overall image of neglect and disinvestment. Access to the area is poor and much of the area is essentially landlocked. Where interior streets do exist, they are generally in substandard condition and lack critical connections to the Central Area's existing roadway system. Utilities, such as sanitary sewer, storm sewer and water, are lacking, outdated, or generally insufficient for development. The perimeter streets, namely Roosevelt Road and Clark Street, are elevated, further isolating and limiting access to the area. In addition, the Vacated Railyard Area is bisected by several elevated and grade-level freight and commuter rail systems and Metropolitan Water Reclamation District deep sewer easements.

The Project Area on the Whole

The Project Area on the whole has not been subject to growth and development through investment by private enterprise. Evidence of this lack of growth and development is detailed in *Section VI* and summarized below.

- Numerous buildings show signs of obsolescence, deterioration, building code violations, excessive vacancies, and an overall depreciation of physical maintenance.
- The Vacated Railyard Area has remained undeveloped since the termination of most railroad activities 25 years ago.
- During the past 10 years, there have been only 2 buildings constructed within the Project Area--the Commonwealth Edison cooling facility and the rebuilt LaSalle Street Station.
- During the past 6 years, few buildings have been renovated or rehabilitated.
- Between 1991 and 1995, the assessed valuation (the "AV") of the Project Area increased by only 1.5 percent, while the AV of the City as a whole increased by 7.1 percent.

- Numerous development efforts have fallen through because of the prohibitive costs associated with overcoming the numerous physical impediments to development.

Without a comprehensive and area-wide effort by the City to promote investment, the Project Area will not likely be subject to sound growth and development through private investment. Additionally, the Project Area would likely continue to be characterized by dilapidation, obsolescence, deterioration, structures below minimum code standards, excessive vacancies, the depreciation of physical maintenance and an overall lack of community planning. The Northern Built-Up Area, while not yet a blighted area, may continue to decline and deteriorate and, without the intervention of the City, may become a blighted area. The Southern Built-Up Area and the Vacated Railyard Area may continue to shown signs of blight. Finally, the Project Area would not reasonably be anticipated to develop without the intervention of the City and the adoption of Tax Increment Financing and this Redevelopment Plan (defined below).

While small-scale, piecemeal development might occur in limited portions of the Project Area, the City believes that the Project Area should be developed on a coordinated, comprehensive and planned basis to ensure continuity with the Loop, Printers' Row and the larger Near South Area. In addition, a coordinated and comprehensive redevelopment effort will allow the City and other taxing districts to work cooperatively to prepare for the increased service demands that may arise from the conversion of underutilized land and buildings to more intensive uses.

B. TAX INCREMENT FINANCING

In January 1977, Tax Increment Financing ("TIF") was made possible by the Illinois General Assembly through passage of the *Tax Increment Allocation Redevelopment Act*, 65 ILCS 5/11-74.4-1 *et seq.*, as amended (the "Act"). The Act provides a means for municipalities, after the approval of a redevelopment plan and project, to redevelop blighted, conservation, or industrial park conservation areas and to finance eligible "redevelopment project costs" with incremental property tax revenues. "Incremental Property Tax" or "Incremental Property Taxes" are derived from the increase in the current Equalized Assessed Value (the "EAV") of real property within the redevelopment project area over and above the "Certified Initial EAV" of such real property. Any increase in EAV is then multiplied by the current tax rate which results in Incremental Property Taxes. A decline in current EAV does not result in a negative Incremental Property Tax.

To finance redevelopment project costs, a municipality may issue obligations secured by Incremental Property Taxes to be generated within the project area. In addition, a municipality may pledge towards payment of such obligations any part or any combination of the following: (a) net revenues of all or part of any redevelopment project; (b) taxes levied and collected on any or all property in the municipality; (c) the full faith and credit of the municipality; (d) a mortgage on part or all of the redevelopment project; or (e) any other taxes or anticipated receipts that the municipality may lawfully pledge.

Tax increment financing does not generate tax revenues by increasing tax rates; it generates revenues by allowing the municipality to capture, temporarily, the new tax revenues produced by the enhanced valuation of properties resulting from the municipality's redevelopment program, improvements and activities, various redevelopment projects, and the reassessment of properties. Under TIF, all taxing districts continue to receive property taxes levied on the initial valuation of properties within the redevelopment project area. Additionally, taxing districts can receive distributions of excess Incremental Property Taxes when annual Incremental Property Taxes received exceed principal and interest obligations for that year and redevelopment project costs necessary to implement the redevelopment plan have been paid. Taxing districts also benefit from the increased property tax base after redevelopment project costs and obligations are paid.

C. *THE REDEVELOPMENT PLAN FOR THE RIVER SOUTH REDEVELOPMENT PROJECT AREA*

As evidenced in *Section VI*, the Project Area as a whole has not been subject to growth and development through private investment. Furthermore, it is not reasonable to expect that the Project Area as a whole will be redeveloped without the use of TIF.

This River South Tax Increment Financing Redevelopment Plan and Project (the "Redevelopment Plan") has been formulated in accordance with the provisions of the Act and is intended to guide improvements and activities within the Project Area in order to stimulate private investment in the Project Area. The goal of the City, through implementation of this Redevelopment Plan, is that the entire Project Area be revitalized on a comprehensive and planned basis to ensure that private investment in rehabilitation and new development occurs:

1. On a coordinated rather than piecemeal basis to ensure that land use, access and circulation, parking, public services and urban design are functionally integrated and meet present-day principles and standards; and

2. On a reasonable, comprehensive and integrated basis to ensure that the factors of blight and conservation are eliminated; and

3. Within a reasonable and defined time period so that the area may contribute productively to the economic vitality of the City.

Redevelopment of the Project Area will constitute a large and complex endeavor, and presents challenges and opportunities commensurate with its scale. The success of this redevelopment effort will depend to a large extent on the cooperation between the private sector and agencies of local government. Adoption of this Redevelopment Plan will make possible the implementation of a comprehensive program for redevelopment of the Project Area. By means of public investment, the Project Area will become a stable environment that will again attract private investment. Public investment will set the stage for area-wide redevelopment by the private sector. Through this

Redevelopment Plan, the City will serve as the central force for directing the assets and energies of the private sector to ensure a unified and cooperative public-private redevelopment effort.

This Redevelopment Plan sets forth the overall "Redevelopment Project" to be undertaken to accomplish the City's above-stated goal. During implementation of the Redevelopment Project, the City may, from time to time: (i) undertake or cause to be undertaken public improvements and activities; and (ii) enter into redevelopment agreements with private entities to construct, rehabilitate, renovate or restore private improvements on one or several parcels (collectively referred to as "Redevelopment Projects").

This Redevelopment Plan specifically describes the Project Area and summarizes the conservation area factors which qualify a portion of the Project Area as a "conservation area" and the blight factors which qualify a portion of the Project Area as a "blighted area" as defined in the Act.

Successful implementation of this Redevelopment Plan requires that the City utilize Incremental Property Taxes and other resources in accordance with the Act to stimulate the comprehensive and coordinated development of the Project Area. Only through the utilization of TIF will the Project Area develop on a comprehensive and coordinated basis, thereby eliminating the existing and threatened blight and conservation area conditions which have precluded development of the Project Area by the private sector.

The use of Incremental Property Taxes will permit the City to direct, implement and coordinate public improvements and activities to stimulate private investment within the Project Area. These improvements, activities and investments will benefit the City, its residents, and all taxing districts having jurisdiction over the Project Area. These anticipated benefits include:

- An increased property tax base arising from new residential and non-residential development and the rehabilitation of existing buildings.
- An increased sales tax base resulting from new and existing non-residential development.
- An increase in construction and full-time employment opportunities for existing and future residents of the City.
- The availability of TIF revenue to offset capital costs associated with an increased student and residential population arising from new residential development.
- The conservation and rehabilitation of existing buildings which will help integrate the Near South Area into the fabric of the Downtown.
- The replacement of unsightly uses, blight and vacated railyards in the shadow of the Loop with viable, high quality, mixed-use developments.
- The elimination of numerous physical impediments within the Project Area on a coordinated and timely basis so as to minimize costs and promote the comprehensive, area-wide redevelopment.

- The construction of a new roadway system complete with all utilities, sewers, water lines, sidewalks, street lights, landscaping, etc., which provides north-south and east-west connections within the Project Area and surrounding development districts.
- The construction of residential developments which are connected to the City's existing grid system of streets, reflect the design of existing neighborhoods, and provide high-quality housing to households of varying income levels.
- The provision of neighborhood and community-scale retail and service opportunities in an area which has been traditionally underserved.
- The provision of educational and community facilities to serve residents, businesses and institutions located within the Project Area and the greater central area of the City.
- The creation of a planned network of open spaces and public amenities, which will link new development to existing neighborhoods.
- The establishment of a continuous walkway along the river's edge throughout the Project Area, which will create a recreational amenity accessible to everyone from Chinatown to the Loop.

II. LEGAL DESCRIPTION

The boundaries of the Project Area have been drawn to include only those contiguous parcels of real property and improvements substantially benefited by the proposed Redevelopment Project to be undertaken as part of this Redevelopment Plan. The boundaries of the Project Area are shown in Figure 1, *Project Boundary*, and are generally described below:

The Project Area is generally bounded by Van Buren Street and Congress Parkway on the north; Federal Street, Clark Street and State Street on the east; Cullerton Street on the south; and the Chicago River and Stewart Avenue on the west.

The boundaries of the Project Area are legally described as follows:

LEGAL DESCRIPTION BEGINS ON THE FOLLOWING PAGE

A TRACT OF LAND IN THE EAST HALF OF SECTION 21, TOWNSHIP 39 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, AND THE EAST HALF OF SECTION 16, TOWNSHIP 39 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT THE POINT OF INTERSECTION OF THE EAST LINE OF STEWART AVE. WITH THE SOUTHEASTERLY LINE OF THE ILLINOIS CENTRAL & GULF RAILROAD LYING IN S. GROVE STREET;

THENCE NORTHERLY ALONG THE EASTERLY LINE OF SAID STEWART AVE. TO THE WESTERLY CHANNEL LINE OF THE SOUTH BRANCH OF THE CHICAGO RIVER (PER ORDINANCE PASSED JULY 8th 1926);

THENCE NORTHERLY ALONG SAID WESTERLY CHANNEL LINE OF THE SOUTH BRANCH OF THE CHICAGO RIVER (PER ORDINANCE PASSED JULY 8th 1926) TO THE POINT OF INTERSECTION OF SAID WESTERLY CHANNEL LINE OF THE SOUTH BRANCH OF THE CHICAGO RIVER WITH THE WESTERLY PROJECTION OF A LINE 122.63 FEET NORTH OF AND PARALLEL WITH THE SOUTHERLY LINE OF BLOCK 85, IN THE SCHOOL SECTION ADDITION TO CHICAGO, BEING A SUBDIVISION OF SECTION 16, TOWNSHIP 39 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, SAID SOUTHERLY LINE OF BLOCK 85 BEING ALSO THE NORTHERLY LINE OF TAYLOR ST.;

THENCE EASTERLY ALONG SAID WESTERLY PROJECTION OF, AND A LINE 122.63 FEET NORTH OF AND PARALLEL WITH THE SOUTHERLY LINE OF BLOCK 85 TO THE WESTERLY LINE OF S. WELLS ST.;

THENCE NORTHERLY ALONG THE WESTERLY LINE OF S. WELLS ST. TO THE POINT OF INTERSECTION OF SAID WESTERLY LINE OF S. WELLS ST. WITH THE WESTERLY PROJECTION OF THE SOUTHERLY LINE OF THE NORTH HALF OF LOT 10 IN PARKER AND OTHERS SUBDIVISION OF BLOCK 193 IN SCHOOL ADDITION TO CHICAGO;

THENCE EASTERLY ALONG SAID WESTERLY PROJECTION OF, AND THE SOUTHERLY LINE OF THE NORTH HALF OF LOT 10 IN PARKER AND OTHERS SUBDIVISION OF BLOCK 193 IN SCHOOL ADDITION TO CHICAGO TO THE WESTERLY LINE OF THE PUBLIC ALLEY EAST OF AND ADJOINING LOTS 3, 4, 9, AND 10 IN PARKER AND OTHERS SUBDIVISION;

THENCE NORTHERLY ALONG THE WESTERLY LINE OF SAID PUBLIC ALLEY EAST OF AND ADJOINING LOTS 3, 4, 9, AND 10 IN PARKER AND OTHERS SUBDIVISION AND THE NORTHERLY PROJECTION OF SAID WESTERLY LINE TO THE NORTHERLY LINE OF W. POLK ST.;

THENCE EASTERLY ALONG THE NORTHERLY LINE OF W. POLK ST. TO THE WESTERLY LINE OF SHERMAN ST.

THENCE NORTHERLY ALONG THE WESTERLY LINE OF SHERMAN ST. TO THE

SOUTHERLY LINE OF W. HARRISON ST.

THENCE WESTERLY ALONG THE SOUTHERLY LINE OF W. HARRISON ST. TO THE EASTERLY LINE OF S. WELLS ST.

THENCE SOUTHERLY ALONG THE EASTERLY LINE OF S. WELLS ST. TO THE SOUTHERLY LINE OF W. POLK ST.

THENCE WESTERLY ALONG THE SOUTHERLY LINE OF W. POLK ST. AND THE WESTERLY PROJECTION OF SAID SOUTHERLY LINE OF W. POLK ST. TO THE WESTERLY CHANNEL LINE OF THE SOUTH BRANCH OF THE CHICAGO RIVER (PER ORDINANCE PASSED JULY 8th 1926).

THENCE NORTHERLY ALONG SAID WESTERLY CHANNEL LINE OF THE SOUTH BRANCH OF THE CHICAGO RIVER (PER ORDINANCE PASSED JULY 8th 1926) TO THE NORTHERLY LINE OF W. VAN BUREN ST.

THENCE EASTERLY ALONG THE NORTHERLY LINE OF W. VAN BUREN ST. TO THE POINT OF INTERSECTION OF SAID NORTHERLY LINE WITH THE NORTHERLY PROJECTION OF THE EASTERLY LINE OF THE PUBLIC ALLEY LYING EAST OF S. WELLS ST., SAID EASTERLY LINE OF THE PUBLIC ALLEY BEING 112 FEET EAST OF THE EAST LINE OF S. WELLS ST.;

THENCE SOUTHERLY ALONG SAID NORTHERLY PROJECTION AND THE EASTERLY LINE OF THE PUBLIC ALLEY LYING EAST OF S. WELLS ST. TO THE SOUTHERLY LINE OF CONGRESS PARKWAY;

THENCE EASTERLY ALONG THE SOUTHERLY LINE OF CONGRESS PARKWAY TO THE EASTERLY LINE OF FEDERAL ST.

THENCE SOUTHERLY ALONG THE EASTERLY LINE OF FEDERAL ST. AND THE SOUTHERLY PROJECTION OF SAID EASTERLY LINE OF FEDERAL ST. TO THE SOUTHERLY LINE OF W. HARRISON ST.

THENCE WESTERLY ALONG THE SOUTHERLY LINE OF W. HARRISON ST. TO THE EASTERLY LINE OF THE PUBLIC ALLEY LYING WEST OF FEDERAL ST.

THENCE SOUTHERLY ALONG THE EASTERLY LINE OF SAID THE PUBLIC ALLEY LYING WEST OF FEDERAL ST. TO THE NORTH LINE OF LOT 2 IN J. C. GOODHUE'S SUBDIVISION OF BLOCK 126 OF THE SCHOOL SECTION ADDITION TO CHICAGO;

THENCE WESTERLY ALONG THE NORTH LINE OF LOT 2 IN J. C. GOODHUE'S SUBDIVISION OF BLOCK 126 OF THE SCHOOL SECTION ADDITION TO CHICAGO TO THE NORTH WEST CORNER THEREOF;

THENCE SOUTHERLY ALONG THE WESTERLY LINE OF LOTS 2, 5, 8, 11, 14, 17, 20, 23 IN SAID J. C. GOODHUE'S SUBDIVISION OF BLOCK 126 OF THE SCHOOL SECTION ADDITION TO CHICAGO AND THE SOUTHERLY EXTENSION OF SAID LINE TO THE SOUTHERLY LINE OF W. POLK ST.

THENCE WESTERLY ALONG THE SOUTHERLY LINE OF W. POLK ST. TO THE EASTERLY OF S. CLARK ST.

THENCE SOUTHERLY ALONG THE EASTERLY LINE OF SOUTH CLARK ST. TO THE NORTHERLY LINE OF W. 15th ST.

THENCE EASTERLY ALONG THE NORTHERLY LINE OF W. 15th ST. TO THE WESTERLY LINE OF S. STATE ST.

THENCE SOUTHERLY ALONG THE WESTERLY LINE OF S. STATE ST. TO THE SOUTHERLY LINE OF W. CULLERTON ST.

THENCE WESTERLY ALONG THE SOUTHERLY LINE OF W. CULLERTON ST. TO THE SOUTHERLY PROJECTION OF THE EASTERLY LINE OF BLOCK 29 IN CANAL TRUSTEES' NEW SUBDIVISION OF BLOCKS IN THE EAST FRACTIONAL QUARTER OF SECTION 21, TOWNSHIP 39 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN;

THENCE NORTHERLY ALONG SAID SOUTHERLY PROJECTION OF THE EASTERLY LINE OF BLOCK 29 AND THE EASTERLY LINE OF BLOCK 29, BEING ALSO THE WESTERLY LINE OF S. FEDERAL AVE., TO THE SOUTHERLY LINE OF W. 19th ST.

THENCE WESTERLY ALONG THE SOUTHERLY LINE OF W. 19th ST. TO THE EASTERLY LINE OF S. CLARK ST.;

THENCE SOUTHERLY ALONG THE EASTERLY LINE OF S. CLARK ST. TO THE SOUTHERLY LINE OF CULLERTON ST. AS PROJECTED ACROSS ARCHER AVE.

THENCE WESTERLY ALONG SAID SOUTHERLY LINE OF CULLERTON ST. AS PROJECTED ACROSS ARCHER AVE. TO A POINT 79 FEET WESTERLY OF THE NORTH EAST CORNER OF BLOCK 36 IN CANAL TRUSTEES' NEW SUBDIVISION OF BLOCKS IN THE EAST FRACTIONAL QUARTER OF SECTION 21, TOWNSHIP 39 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN;

THENCE NORTHERLY ALONG A STRAIGHT LINE TO A POINT ON THE SOUTHERLY LINE OF W. 18th ST. AT A POINT 78 FEET WESTTERLY OF THE NORTH EAST CORNER OF BLOCK 18 IN CANAL TRUSTEES' NEW SUBDIVISION OF BLOCKS IN THE EAST FRACTIONAL QUARTER OF SECTION 21, TOWNSHIP 39 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN;

THENCE WESTERLY ALONG THE SOUTHERLY LINE OF W. 18th ST. TO THE SOUTHEASTERLY LINE OF THE ILLINOIS CENTRAL & GULF RAILROAD LYING IN S. GROVE STREET;

THENCE SOUTHERLY ALONG THE SOUTHEASTERLY LINE OF THE ILLINOIS CENTRAL & GULF RAILROAD LYING IN S. GROVE STREET TO THE EASTERLY LINE OF S. STEWART ST., BEING ALSO THE POINT OF BEGINNING.

ALL IN THE CITY OF CHICAGO, COOK COUNTY, ILLINOIS.

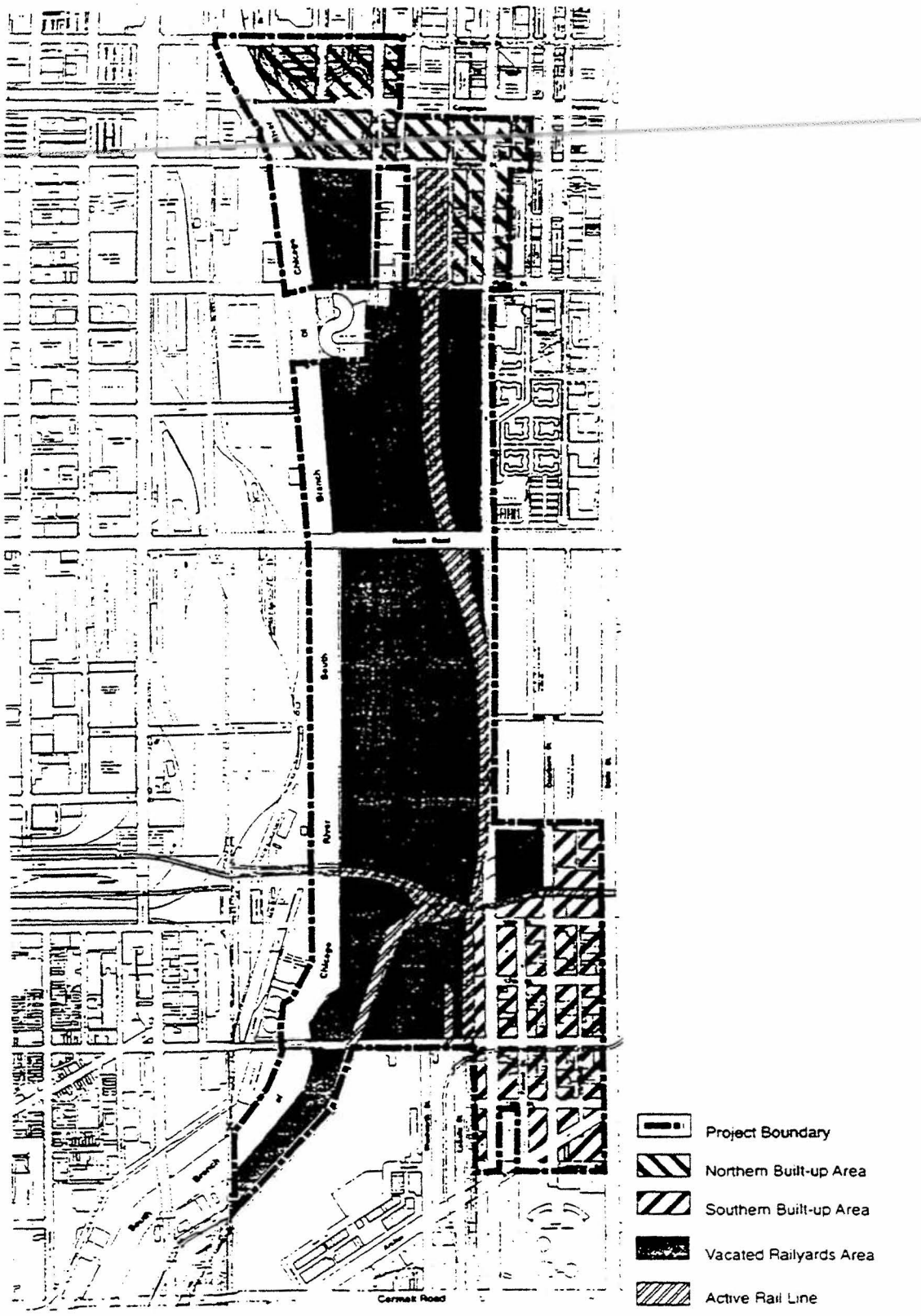


Figure 1
PROJECT BOUNDARY

RIVER SOUTH **Chicago, Illinois**

Tax Increment Financing Redevelopment Project

Prepared by: Trkla, Pettigrew, Allen, & Payne

III. ELIGIBILITY CONDITIONS

The results summarized in this section are more fully described in a separate report which presents the definition, application and extent of the conservation and blight factors in the Project Area. The report, prepared by TPAP and entitled "River South Project Area Tax Increment Financing Eligibility Study," is attached as Exhibit II to this Redevelopment Plan.

A. NORTHERN BUILT-UP AREA

Based upon surveys, inspections and analyses of the Project Area, the Northern Built-Up Area qualifies as a "conservation area" within the requirements of the Act. Fifty-percent or more of the buildings in the Northern Built-Up Area have an age of 35 years or more, and the area is characterized by the presence of a combination of three or more of the conservation factors listed in the Act, rendering the area detrimental to the public safety, health and welfare of the citizens of the City. The Northern Built-Up Area is not yet a blighted area, but it may become a blighted area. Specifically,

- Of the 32 buildings in the Northern Built-Up Area, 28 (87.5 percent) are 35 years of age or older.
- Of the 14 factors for conservation areas set forth in the Act, 6 are found to be present to a major extent in the Northern Built-Up Area.
- These 6 factors are reasonably distributed throughout the Northern Built-Up Area.
- The entire Northern Built-Up Area is impacted by and shows the presence of these 6 factors.
- The Northern Built-Up Area includes only real property and improvements substantially benefited by the Redevelopment Program and potential Redevelopment Projects.

B. SOUTHERN BUILT-UP AREA

Based upon surveys, inspections and analyses of the Project Area, the Southern Built-Up Area qualifies as an improved "blighted area" within the requirements of the Act. The Southern Built-Up Area is characterized by the presence of a combination of five or more of the blight factors listed in the Act for improved areas, rendering the area detrimental to the public safety, health and welfare of the citizens of the City. Specifically,

- Of the 14 factors for improved, blighted areas set forth in the Act, 8 are found to be present to a major extent in the Southern Built-Up Area.
- These 8 factors are reasonably distributed throughout the Southern Built-Up Area.

- The entire Southern Built-Up Area is impacted by and shows the presence of these 8 factors.
- The Southern Built-Up Area includes only real property and improvements substantially benefited by the Redevelopment Program and potential Redevelopment Projects.
- The Southern Built-up Area includes vacant lots and blocks characterized by obsolete platting and diversity of ownership and which are adjacent to deteriorating structures or site improvements.

C. VACATED RAILYARD AREA

Based upon surveys, inspections and analyses of the area, the Vacated Railyards Area qualifies as a vacant "blighted area" within the requirements of the Act. Specifically,

- The Vacated Railyards Area consists of unused rail yards, rail tracks and railroad right of way.
- This factor is reasonably distributed throughout the Vacated Railyard Area.
- The entire Vacated Railyards Area is impacted by and shows the presence of this factor.
- The Vacated Railyards Area includes only real property and improvements substantially benefited by the Redevelopment Program and potential Redevelopment Projects.

D. SURVEYS AND ANALYSES CONDUCTED

The conservation and blight factors found to be present in the Project Area are based upon surveys and analyses conducted by TPAP and Andrew Heard & Associates. The surveys and analyses conducted for the Project Area include:

1. Exterior survey of the condition and use of each building;
2. Interior building surveys of 14 buildings within the Project Area;
3. Site surveys of streets, alleys, sidewalks, curbs and gutters, lighting, parking facilities, landscaping, fences and walls, and general property maintenance;
4. Analysis of existing uses and their relationships;
5. Comparison of current land use to current zoning ordinance and the current zoning map;
6. Comparison of interior and exterior building conditions to property maintenance codes of the City;
7. Analysis of original and current platting and building size and layout;
8. Analysis of vacant sites and vacant buildings;
9. Analysis of building floor area and site coverage;

10. Analysis of building permits issued for the Project Area from 1991 through 1996;

11. Analysis of code violations recorded for the Project Area from 1994 through 1996;

12. Examination of commercially prepared guides to the Chicago real estate market;

13. Examination of Cook County Board of Appeal files for assessment year 1995; and

14. Review of previously prepared plans, studies and data.

It should be noted that the 14 buildings surveyed on the interior represent the only buildings to which TPAP was able to gain sufficient access to conduct the interior surveys.

IV. REDEVELOPMENT GOALS AND OBJECTIVES

Comprehensive and coordinated area-wide investment in new public and private improvements and facilities is essential for the successful redevelopment of the Project Area and the elimination of conditions that have impeded redevelopment of the Project Area in the past. Redevelopment of the Project Area will benefit the City through improvements in the physical environment, an increased tax base, additional employment opportunities and an increase in the residential population of the Project Area.

This section identifies the general goals and objectives adopted by the City for redevelopment of the Project Area. *Section V* presents more specific objectives for development and design within the Project Area and the redevelopment activities the City plans to undertake to achieve the redevelopment goals and objectives presented in this section.

A. GENERAL GOALS

Listed below are the general goals adopted by the City for redevelopment of the Project Area. These goals provide overall focus and direction for this Redevelopment Plan.

1. An improved quality of life in the Project Area, the Near South Area and the City through the elimination of the influences and manifestations of physical and economic deterioration and obsolescence within the Project Area.

2. An environment within the Project Area which will contribute more positively to the health, safety and general welfare of the City, and preserve or enhance the value of properties adjacent to the Project Area.

3. An increased real estate and sales tax base for the City and other taxing districts having jurisdiction over the Project Area.

B. REDEVELOPMENT OBJECTIVES

Listed below are the redevelopment objectives which will guide planning decisions regarding redevelopment within the Project Area.

1. Reduce or eliminate those conditions which qualify the Project Area as a conservation area and blighted area. These conditions are described in detail in Exhibit II to this Redevelopment Plan.

2. Encourage a high-quality appearance of buildings, rights-of-way, and open spaces and encourage high standards of design.

3. Strengthen the economic well-being of the Project Area and the City by increasing taxable values.

4. Assemble or encourage the assembly of land into parcels of appropriate shape and sufficient size for redevelopment in accordance with this Redevelopment Plan and contemporary development needs and standards.

5. Create an environment which stimulates private investment in appropriate new construction and rehabilitation.

6. Provide needed improvements or facilities in proper relationship to the projected demand for such facilities and in accordance with present-day design standards for such facilities.

7. Provide needed incentives to encourage a broad range of improvements in preservation, rehabilitation and new development.

8. Create new job opportunities for City residents utilizing first source hiring programs and appropriate job training programs.

9. Establish job training and job readiness programs to provide residents of the City with the skills necessary to secure jobs in the Project Area.

10. Provide opportunities for women and minority businesses to share in the redevelopment of the Project Area.

V. REDEVELOPMENT PROJECT

This section presents the Redevelopment Project anticipated to be undertaken by the City and by private entities on behalf of the City in furtherance of this Redevelopment Plan. The Redevelopment Project described in this Redevelopment Plan and pursuant to the Act includes the overall redevelopment concept, development and design objectives, a description of redevelopment improvements and activities, a general land use plan, estimated redevelopment project costs, a description of sources of funds to pay estimated redevelopment project costs, a description of obligations that may be issued, identification of the most recent EAV of properties in the Project Area, and an estimate of future EAV.

A. OVERALL REDEVELOPMENT CONCEPT

The Project Area should be redeveloped as a cohesive and distinctive mixed-use district. It should consist of residential developments with diverse services and amenities; commercial uses that are compatible with surrounding residential uses; office developments that support the existing financial district to the north; existing and new light industrial uses; and a range of open space and pedestrian amenities.

The Project Area should be served by a street system and public transportation facilities that provide safe and convenient access to and circulation within the Project Area. New development should be served by a street network that reflects and extends the traditional grid street system which exists in surrounding areas.

The Project Area should be characterized by a planned network of open spaces and public amenities and facilities which will organize and provide focus to the Project Area. The Chicago River corridor should be improved and enhanced for the benefit of the public. An open space network should be created which links the river corridor, neighborhood parks, landscaped streets and surrounding regional amenities.

The Project Area should have a coherent neighborhood design and character. Individual developments should be visually and physically linked together. The Project Area should respect Chicago's traditional neighborhood form which is characterized by a grid pattern of streets, buildings facing the street, and a human scale that is attractive and inviting for pedestrians.

The Project Area should become one of the City's premier in-town residential areas that will complement the major commercial and office development within the Central Area.

B. *DEVELOPMENT AND DESIGN OBJECTIVES*

Listed below are the specific development and design objectives which will assist the City in directing and coordinating public and private improvement and investment within the Project Area in order to achieve the general goals and objectives identified in *Section IV* of this Redevelopment Plan.

Land Use

- Promote comprehensive, area-wide redevelopment of the Project Area as a planned and cohesive mixed-use urban neighborhood.
- Remove or minimize barriers and other impediments to unified development, including the St. Charles Airline.
- Provide sites for a wide range of land uses, including residential, office, commercial, hotel, light industrial and public and institutional uses.
- Ensure a sensitive transition between residential and non-residential developments in order to minimize conflicts between different land uses.
- Encourage continued expansion of office and financial services in the blocks between Congress Parkway and Polk Street.
- Foster a mix of residential and commercial uses in the area between Polk Street and Roosevelt Road.
- Promote quality new residential developments throughout the Project Area, particularly along the river and in the area south of Roosevelt Road.
- Promote housing types that accommodate a diverse mix of households and income levels.
- Promote retail and commercial activities that support the needs of the area's residents and employees.
- Encourage maintenance and expansion of light industrial uses.
- Focus non-residential uses along the major thoroughfares that border and pass through the Project Area.
- Locate schools, parks and other community facilities within walking distance of residential developments.

Transportation and Infrastructure

- Maintain and extend the grid pattern of streets and blocks that exists in surrounding areas.

- Improve street connections between the Project Area and surrounding existing development districts to the north, east and south.
- Improve east-west circulation to and through the Project Area.
- Improve north-south circulation through the Project Area.
- Construct a new north-south collector street that extends through the full length of the Project Area.
- Provide street crossings at the Metra-Rock Island rail line where possible.
- Promote "transit-friendly" developments that incorporate transit facilities into their design.
- Upgrade infrastructure throughout the Project Area.

Open Space and Pedestrian Facilities

- Develop new community parks to help support the growing population within the surrounding area.
- Provide neighborhood parks in the vicinity of and easily accessible from new residential developments.
- Develop a riverfront park along the Chicago River in the southern portion of the Project Area.
- Create a continuous and accessible open space corridor and public walkway system along the Chicago River.
- Incorporate pedestrian and bicycle paths along the river's edge throughout the length of the Project Area.
- Develop landscaped walkways connecting new developments to the river.
- Provide improved connections to the river corridor from surrounding districts.
- Provide well-defined and safe pedestrian connections between developments within the Project Area, and between the Project Area and nearby destinations.

Urban Design

- Establish a distinctive and cohesive visual identity for the Project Area.
- Ensure that all new development reflects Chicago's traditional grid pattern of streets and blocks.
- Ensure high quality and harmonious architectural and landscape design throughout the Project Area.

- Enhance the appearance of the Project Area by landscaping the streets and creating areas for pedestrian activity.
- Protect views and vistas of the downtown skyline.
- Protect views up and down the river from the bridges and other important viewpoints.
- Preserve buildings with historic and architectural value.
- Require new developments to respect the architectural character and scale of surrounding buildings.
- Provide distinctive design features, including landscaping and signage, at the major entryways into the Project Area.
- Ensure that all new developments enhance and respect the river corridor as a public open space amenity.
- Screen blank walls and loading docks through the use of landscaping and decorative fencing.
- Screen the active rail tracks through the use of berming and landscaping

C. REDEVELOPMENT IMPROVEMENTS AND ACTIVITIES

The City proposes to achieve its redevelopment goals and objectives for the Project Area through the use of public financing techniques including, but not limited to, tax increment financing, to undertake some or all of the activities and improvements authorized under the Act, including the activities and improvements described below. The City also maintains the flexibility to undertake additional activities and improvements authorized under the Act, if the need for activities or improvements change as redevelopment occurs in the Project Area.

The City may enter into redevelopment agreements with public or private entities for the furtherance of this Redevelopment Plan. Such redevelopment agreements may be for the assemblage of land; the construction, rehabilitation, renovation or restoration of improvements or facilities; the provision of services; or any other lawful purpose. Redevelopment agreements may contain terms and provisions which are more specific than the general principles set forth in this Redevelopment Plan and which include affordable housing requirements as described in section *V.E.2, Estimated Redevelopment Project Costs.*

1. Property Assembly

Property acquisition and land assembly by the private sector in accordance with this Redevelopment Plan will be encouraged by the City. Additionally, the City may encourage the preservation of buildings that are basically sound and are located so as not to impede the overall redevelopment of the Project Area. To meet the goals and objectives

of this Redevelopment Plan, the City may acquire and assemble property throughout the Project Area. Land assemblage by the City may be by purchase, exchange, donation, lease or eminent domain and may be for the purpose of (a) sale, lease or conveyance to private developers, or (b) sale, lease, conveyance or dedication for the construction of public improvements or facilities. Furthermore, the City may require written redevelopment agreements with developers before acquiring any properties.

As appropriate, the City may devote acquired property to temporary uses until such property is scheduled for disposition and redevelopment.

The City may demolish improvements, remove and grade soils and prepare sites with soils and materials suitable for new construction. Clearance and demolition will, to the greatest extent possible, be timed to coincide with redevelopment activities so that tracts of land do not remain vacant for extended periods and so that the adverse effects of clearance activities may be minimized.

The City may (a) acquire any historic structure (whether a designated City or State landmark or on, or eligible for, nomination to the National Register of Historic Places); (b) demolish any non-historic feature of such structure; and (c) incorporate any historic structure or historic feature into a development on the subject property or adjoining property.

2. Relocation

Much of the Project Area consists of vacant land and underutilized buildings and relocation activities by the City are not currently anticipated. However, in the event that active businesses or other occupants are displaced by the public acquisition of property, they may be relocated and may be provided with financial assistance and advisory services. Relocation services in conjunction with property acquisition will be provided in accordance with City policy.

3. Provision of Public Works or Improvements

The City may provide public improvements and facilities that are necessary to service the Project Area in accordance with this Redevelopment Plan and the comprehensive plan for development of the City as a whole. Public improvements and facilities may include, but are not limited to, the following:

a) Streets and Utilities

A range of individual roadway, utility and related improvement projects, from repair and resurfacing to major construction or reconstruction, may be undertaken.

b) ***Parks, Open Space and Riverwalk***

Improvements to existing or future parks, open spaces and public plazas may be provided and a range of riverfront improvements, including the repair or replacement of bulkheads and embankments, the construction of pedestrian walkways, stairways, lighting, landscaping and general beautification improvements may be provided for the use of the general public.

c) ***Public Facility–Police Facility***

It is anticipated that a new police station will be constructed within the Project Area.

d) ***Public Facility–Schools***

Existing public schools may be rehabilitated or reconstructed, and new public schools may be constructed to service the Project Area.

4. Rehabilitation of Existing Buildings

The City will encourage the rehabilitation of buildings that are basically sound and/or historically significant, and are located so as not to impede the Redevelopment Project.

5. Job Training and Related Educational Programs

Separate or combined programs designed to increase the skills of the labor force to take advantage of the employment opportunities within the Project Area may be implemented.

6. Taxing Districts Capital Costs

The City may reimburse all or a portion of the costs incurred by certain taxing districts in the furtherance of the objectives of this Redevelopment Plan.

7. Interest Subsidies

Funds may be provided to redevelopers for a portion of interest costs incurred by a redeveloper related to the construction, renovation or rehabilitation of a redevelopment project provided that:

(a) such costs are to be paid directly from the special tax allocation fund established pursuant to the Act; and

(b) such payments in any one year may not exceed 30 percent of the annual interest costs incurred by the redeveloper with respect to the redevelopment project during that year;

(c) if there are not sufficient funds available in the special tax allocation fund to make the payment, then the amounts so due shall accrue and be payable when sufficient funds are available in the special tax allocation fund; and

(d) the total of such interest payments paid pursuant to the Act may not exceed 30 percent of the total (i) costs paid or incurred by a redeveloper for a redevelopment project plus (ii) redevelopment project costs excluding any property assembly costs and any relocation costs incurred by the City pursuant to the Act.

8. **Analysis, Administration, Studies, Surveys, Legal, etc.**

The City may undertake or engage professional consultants, engineers, architects, attorneys, etc. to conduct various analyses, studies, surveys, administration or legal services to establish, implement and manage this Redevelopment Plan.

D. GENERAL LAND-USE

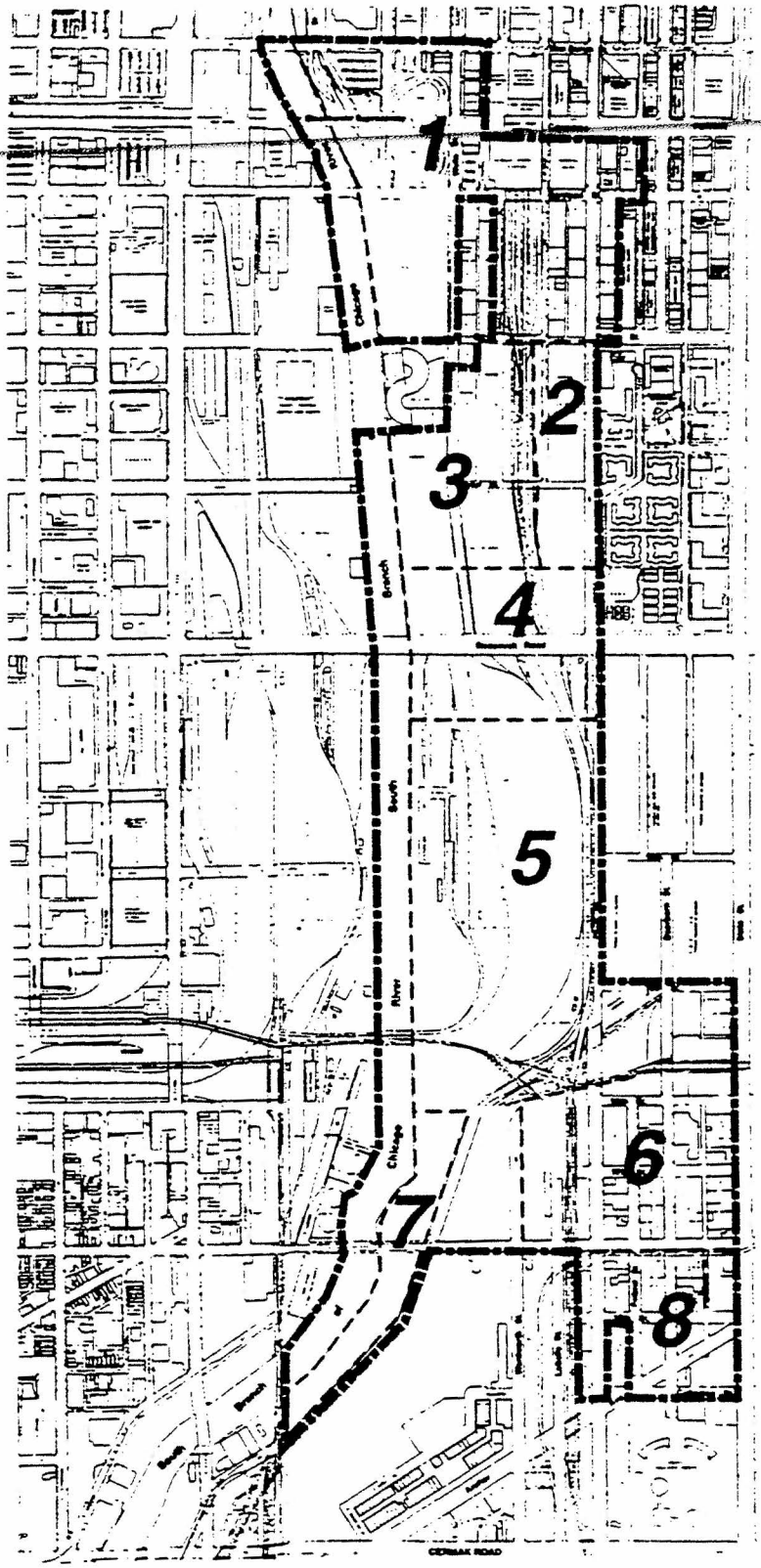
Figure 2 presents the Land-Use Plan that will be in effect upon adoption of this Redevelopment Plan.

As indicated in Figure 2, the Project Area should be redeveloped as a planned and cohesive mixed-use urban neighborhood providing sites for a wide range of land uses, including residential, office, commercial, hotel, light industrial and public and institutional uses. The various land uses should be arranged and located so that there is a sensitive transition between residential and non-residential developments in order to minimize conflicts between different land uses.

Rather than prescribing specific land uses for specific locations, the Land-Use Plan divides the Project Area into 8 subareas, each of which would be suitable for a somewhat different mix of uses and scale and character of development.

It should be emphasized that the boundaries of these subareas and the specification of uses within the subareas are for guidance only, and are subject to refinement and modification as a part of the City's planned development process.

- *Subarea 1* encompasses the northern portion of the Project Area, and includes the blocks generally north of Polk Street. This Subarea should be devoted primarily to non-residential uses, including office, commercial and hotel facilities, and should provide expansion space for the financial district and other Loop commercial districts located north of the Project Area. Within the area south of Harrison Street, new non-residential, new residential development and conversion of existing, underutilized, non-residential buildings should be encouraged. New buildings should be oriented to the major streets which pass through the area, including Congress, Harrison, Polk, Clark and Wells.



Area Wide Land Use. *The Project Area should be redeveloped as a planned and cohesive mixed-use urban neighborhood providing sites for a wide range of land uses, including residential, office, commercial, hotel, light industrial, and public and institutional uses.*

Subarea 1 should be devoted primarily to non-residential uses, including office, commercial and hotel facilities, and should provide expansion space for the financial district and other Loop commercial districts located north of the Project Area. Within the area south of Harrison Street, new non-residential, new residential development, and conversion of existing, underutilized, non-residential buildings should be encouraged. New buildings should be oriented to the major streets which pass through the area, including Congress, Harrison, Polk, Clark and Wells.

Subarea 2 should be devoted to a mix of residential and non-residential uses. In general, this Subarea would be suitable for office and commercial uses oriented to the needs of businesses, employees and residents within surrounding areas. Residential uses would also be appropriate.

Subarea 3 should be devoted primarily to planned residential development. Office and commercial development could also be appropriate. New development should be oriented to the river corridor, and should enhance Wells Street as an important north-south connection through the Project Area.

Subarea 4 should be devoted to a mix of medium to high density residential uses and non-residential uses, including neighborhood-oriented shopping and services.

Subarea 5 should be devoted primarily to planned residential development. A wide variety of housing types and styles could be accommodated, provided it is compatible with adjacent developments and is consistent with the overall objectives for the Project Area. Where possible, new housing should be oriented to the river corridor. Public and institutional uses, together with commercial development, could also be appropriate in selected locations.

Subarea 6 should be devoted primarily to industrial uses. The southern portion of this area will also be the site of a new police facility.

Subarea 7 should be developed as a major new riverfront park to serve new development within the Project Area and the existing neighborhoods in the vicinity. The new park should be connected to the trail system recommended for the river corridor and easily accessible to the public.

Subarea 8 should be devoted primarily to planned residential development, and expanded elementary school facility. The area south of Archer Ave. should be used for residential or commercial purposes.

NOTE: The boundaries of these subareas and the specification of uses within the subareas are for guidance only, and are subject to refinement and modification as a part of the City's planned development process.

Figure 2
LAND-USE PLAN

500 1000 1500 3000 north

VI. LACK OF GROWTH AND DEVELOPMENT THROUGH INVESTMENT BY PRIVATE ENTERPRISE

As described in *Section III* of this Redevelopment Plan, the Project Area as a whole is adversely impacted by the presence of numerous conservation and blight factors, and these factors are reasonably distributed throughout the Project Area. Conservation and blight factors within the Project Area are widespread and represent major impediments to sound growth and development.

The decline of and the lack of private investment in the Project Area are evidenced by the following:

Physical Condition of the Project Area

- The Northern Built-Up Area is characterized by obsolescence, deterioration, structures below minimum code specifications, excessive vacancies and an overall depreciation of physical maintenance.
- The Southern Built-Up Area is characterized by age, dilapidation, obsolescence, deterioration, structures below minimum code specifications, excessive vacancies and an overall depreciation of physical maintenance.
- The Vacated Railyard Area is generally characterized by an appearance of disinvestment and blight.

Lack of New Construction by Private Enterprise

- Within the last 10 years, only 2 buildings have been built in the Project Area; these are the Commonwealth Edison cooling facility and the rebuilt LaSalle Street Station.
- The Vacated Railyard Area has remained undeveloped since the termination of most railroad activities 25 years ago.

Lack of Renovation by Private Enterprise

- With the exception of one industrial use, which completed a substantial rehabilitation and expansion of an existing building in conjunction with a class 6b property tax incentive, and the conversion of one loft building to residential condominiums, there has been no large-scale, comprehensive rehabilitation of existing buildings within the Project Area in at least 10 years.
- Of the 46 non-public buildings in the Project Area, 19 (41.3 percent) had no apparent building permit activity during the 6 year period 1991 through 1996.
- Thirteen of the remaining 27 non-public buildings in the Project Area had building permit costs totaling $20,000 or less during the 6 year period 1991 through 1995 (which, when added to the

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

19 non-public buildings with no apparent building permit activity, corresponds to 69.6 percent of the 46 non-public buildings in the Project Area).

Assessed Values that Fail to Keep Pace with the City as a Whole

- Between 1991 and 1995, the AV of the Project Area increased by approximately 1.5 percent. Over this same period, the AV of the City as a whole increased by 7.1 percent.

Failure of Planned Developments to Occur

- Business-Commercial Planned Development No. 481 was approved by the City Council in 1990 for 4.5 million square feet of mixed-use commercial and residential development at "Franklin Point" (the vacant site generally bounded by the Chicago River, Harrison Street, Wells Street and Polk Street). The City and County approved a Class 7 property tax abatement for the construction of a proposed bank service center. In spite of the approval of the planned development, tax incentives and continued marketing efforts, seven years later the site remains undeveloped.
- Residential-Business Planned Development No. 523 was approved by the City Council in 1991 for "LaSalle Park" (the vacant site generally bounded by Polk Street, Clark Street, Roosevelt Road and Wells Street). In spite of the approval of the planned development, six years later the site remains undeveloped.
- A 120 unit townhome project was proposed in 1996 for a five block area in and near the southeastern portion of the Project Area. While one block (located outside of the Project Area) is currently being developed with a few townhomes, development of the remaining blocks was discontinued.

IMPEDIMENTS TO FUTURE DEVELOPMENT

The following impediments illustrate why the Project Area would not reasonably be anticipated to be developed without the intervention of the City and the adoption of this Redevelopment Plan.

- The incentive to maintain or upgrade properties in the built-up areas is reduced by the overall appearance of disinvestment and blight associated with the Vacated Railyard Area.
- Street conditions within the interior of the Southern Built-Up Area are poor and much of the area lacks curbs, gutters and street lights.
- Access to the Vacated Railyard Area is poor and much of the area south of Polk Street is essentially landlocked. The main perimeter streets, Roosevelt Road and Clark Street, are elevated, further limiting access to the interior of the area.
- Much of the Vacated Railyard Area is isolated and fragmented. The few interior streets that do exist are generally in substandard condition and lack critical connections to the Central Area's existing roadway system.
- In addition to the general lack of access and interior streets, most of the Vacated Railyard Area is unserved or underserved by modern infrastructure including sidewalks, curbs, street lights, water and sewer.

- The southern end of the Vacated Railyard Area is bisected by numerous elevated and grade-level freight and commuter rail systems. In addition, a commuter rail line runs just west of Clark Street for the entire length of the Project Area and terminates at the LaSalle Street Station. The various rail uses conflict with the current and future traffic and pedestrian needs of the Project Area and the surrounding area.
- The bulkheads along the Chicago River require repair or replacement .
- Certain parts of the Vacated Railyard Area are difficult to develop due to the presence of Metropolitan Water Reclamation District deep sewer easements.
- A portion of the Vacated Railyard Area has served as the depository for fill material for various construction projects over the years.
- Several sites within the Southern Built-Up Area require environmental remediation.
- The property ownership of the Vacated Railyards Area is divided in such a way that the coordinated approach to streets, riverfront access and realignment of railroad impediments is difficult.

In summary, the Northern Built-Up Area is not yet a blighted area, but is deteriorating and declining and may become a blighted area. The Southern Built-Up Area and the Vacated Railyard Area are blighted areas. The Project Area on the whole has not been subject to growth and development through investment by private enterprise. The Project Area would not reasonably be anticipated to be developed without the adoption of this Redevelopment Plan for the Project Area.

VII. FINANCIAL IMPACT

Without the adoption of the Redevelopment Plan and TIF, the Project Area is not reasonably expected to be redeveloped by private enterprise. In the absence of City-sponsored redevelopment initiatives, there is a prospect that conservation and blight factors will continue to exist and spread, and the Project Area on the whole and adjacent properties will become less attractive for the maintenance and improvement of existing buildings and sites. In the absence of City-sponsored redevelopment initiatives, erosion of the assessed valuation of property in and outside of the Project Area could lead to a reduction of real estate tax revenue to all taxing districts.

Section V of this Redevelopment Plan describes the comprehensive, area-wide Redevelopment Project proposed to be undertaken by the City to create an environment in which private investment can occur. The Redevelopment Project will be staged over a period of years consistent with local market conditions and available financial resources required to complete the various redevelopment improvements and activities as well as Redevelopment Projects set forth in this Redevelopment Plan. Successful implementation of this Redevelopment Plan is expected to result in new private investment in rehabilitation of buildings and new construction on a scale sufficient to eliminate problem conditions and to return the area to a long-term sound condition.

The Redevelopment Project is expected to have significant short- and long-term positive financial impacts on the taxing districts affected by this Redevelopment Plan. In the short-term, the City's effective use of TIF can be expected to stabilize existing assessed values in the Project Area, thereby stabilizing the existing tax base for local taxing agencies. In the long-term, after the completion of all redevelopment improvements and activities, Redevelopment Projects and the payment of all Redevelopment Project Costs and municipal obligations, the taxing districts will benefit from any enhanced tax base which results from the increase in EAV caused by the Redevelopment Projects.

VIII. DEMAND ON TAXING DISTRICT SERVICES

The following major taxing districts presently levy taxes against properties located within the Project Area:

Cook County. The County has principal responsibility for the protection of persons and property, the provision of public health services and the maintenance of County highways.

Cook County Forest Preserve District. The Forest Preserve District is responsible for acquisition, restoration and management of lands for the purpose of protecting and preserving open space in the City and County for the education, pleasure and recreation of the public.

Metropolitan Water Reclamation District of Greater Chicago. This district provides the main trunk lines for the collection of waste water from cities, villages and towns, and for the treatment and disposal thereof.

Chicago Community College District 508. This district is a unit of the State of Illinois' system of public community colleges, whose objective is to meet the educational needs of residents of the City and other students seeking higher education programs and services.

Board of Education of the City of Chicago. General responsibilities of the Board of Education include the provision, maintenance and operations of educational facilities and the provision of educational services for kindergarten through twelfth grade.

Chicago Park District. The Park District is responsible for the provision, maintenance and operation of park and recreational facilities throughout the City and for the provision of recreation programs.

Chicago School Finance Authority. The Authority was created in 1980 to exercise oversight and control over the financial affairs of the Board of Education.

City of Chicago. The City is responsible for the provision of a wide range of municipal services, including: police and fire protection; capital improvements and maintenance; water supply and distribution; sanitation service; building, housing and zoning codes, etc.

In addition to the major taxing districts summarized above, the City of Chicago Library Fund, the Chicago Urban Transportation District and Special Service Area 12 (Central Area Circulator) have taxing jurisdiction over part or all of the Project Area. The City of Chicago Library Fund (formerly a separate taxing district from the City) and the Chicago Urban Transportation District no longer extend taxing levies but continue to exist for the purpose of receiving delinquent taxes.

A. IMPACT OF THE REDEVELOPMENT PROJECT

The replacement of vacant and underutilized properties with non-residential and residential development may cause increased demand for services and/or capital improvements to be provided by the Metropolitan Water Reclamation District, Board of Education, Community College District 508, Chicago Park District and City. The estimated nature of these increased demands for services on these taxing districts are described below.

Metropolitan Water Reclamation District of Greater Chicago. The replacement of vacant and underutilized properties with non-residential and residential development may cause increased demand for the services and/or capital improvements provided by the Metropolitan Water Reclamation District.

Board of Education of the City of Chicago. The replacement of vacant and underutilized properties with residential development may result in additional school-aged children in the Project Area, which may increase the demand for educational services and/or capital improvements (such as rehabilitation or expansion of existing schools or construction of additional schools in or near the Project Area) to be provided by the Board of Education.

Chicago Park District. The replacement of vacant and underutilized properties with residential development may result in an increase in population in the Project Area, which may result in additional demand for recreational services and programs and may create the need for additional open spaces and recreational facilities operated by the Chicago Park District.

Chicago Community College District 508. The replacement of vacant and underutilized properties with residential development may result in an increase in population within the Project Area, which may result in additional demand for educational services and programs provided by the community college district.

City of Chicago. The replacement of vacant and underutilized properties with non-residential and residential development may increase the demand for services and programs provided by the City, including police protection, fire protection, library circulation, sanitary collection, recycling, etc.

B. PROGRAM TO ADDRESS INCREASED DEMAND FOR SERVICES OR CAPITAL IMPROVEMENTS

The following activities represent the City's program to address increased demand for services or capital improvements provided by the impacted taxing districts.

- As it is expected that any increase in demand for treatment of sanitary and storm sewage associated with the Project Area can be adequately handled by existing treatment facilities maintained and operated by the Metropolitan Water Reclamation District, no assistance is proposed for the Metropolitan Water Reclamation District.
- Assist the Board of Education by allocating a portion of Redevelopment Project Costs to rehabilitate, reconstruct or construct schools to service the Project Area and adjacent areas.
- Assist the Chicago Park District by allocating a portion of Redevelopment Project Costs to provide parks and open space within the Project Area and by encouraging parks and open space in all new developments within the Project Area.
- Assist Chicago Community College District 508 by allocating a portion of Redevelopment Project Costs for providing job training and related educational programs.
- Assist the City of Chicago by allocating a portion of Redevelopment Project Costs to construct a police station in the Project Area.

This proposed program to address increased demand for services or capital improvements provided by some or all of the impacted taxing districts is contingent upon: (i) the Redevelopment Project occurring as anticipated in this Redevelopment Plan, (ii) the Redevelopment Project resulting in demand for services sufficient to warrant the allocation of Redevelopment Project Costs; and (iii) the generation of sufficient Incremental Property Taxes to pay for the Redevelopment Project Costs listed above. In the event that the Redevelopment Project fails to materialize, or involves a different scale of development than that currently anticipated, the City may revise this proposed program to address increased demand, to the extent permitted by the Act, without amending this Redevelopment Plan.

Exhibit I to this Redevelopment Plan illustrates the preliminary allocation of Redevelopment Project Costs.

IX. CONFORMITY OF THE REDEVELOPMENT PLAN FOR THE PROJECT AREA TO LAND USES APPROVED BY THE PLANNING COMMISSION OF THE CITY

This Redevelopment Plan and the Redevelopment Project described herein include land uses which will be approved by the Chicago Plan Commission prior to the adoption of the Redevelopment Plan.

X. PHASING AND SCHEDULING

A phased implementation strategy will be utilized to achieve comprehensive and coordinated redevelopment of the Project Area.

It is anticipated that City expenditures for Redevelopment Project Costs will be carefully staged on a reasonable and proportional basis to coincide with Redevelopment Project expenditures by private developers and the receipt of Incremental Property Taxes by the City.

The estimated date for completion of Redevelopment Projects is no later than the year 2020.

XI. PROVISIONS FOR AMENDING THIS REDEVELOPMENT PLAN

This Redevelopment Plan may be amended pursuant to the Act.

XII. COMMITMENT TO FAIR EMPLOYMENT PRACTICES AND AFFIRMATIVE ACTION PLAN

The City is committed to and will affirmatively implement the following principles with respect to this Redevelopment Plan:

A) The assurance of equal opportunity in all personnel and employment actions, including, but not limited to: hiring, training, transfer, promotion, discipline, fringe benefits, salary, employment working conditions, termination, etc., without regard to race, color, religion, sex, age, handicapped status, national origin, creed or ancestry.

B) This commitment to affirmative action will ensure that all members of the protected groups are sought out to compete for all job openings and promotional opportunities.

In order to implement these principles, the City shall require and promote equal employment practices and affirmative action on the part of itself and its contractors and vendors. In particular, parties engaged by the City shall be required to agree to the principles set forth in this section.