TAX INCREMENT FINANCING
Ten (10) Year Status Report
2007-2015

**Harlem Industrial Park
Conservation Area
Designated March 14, 2007**

December 13, 2016

Pursuant to 65 ILCS 5/11-74.4-5

Prepared by

**CITY OF CHICAGO
DEPARTMENT OF PLANNING AND DEVELOPMENT**

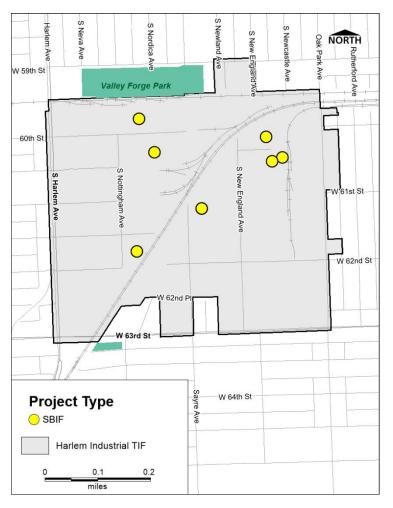**AND**

Johnson Research Group, Inc.
And
Applied Real Estate Analysis, Inc.

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Executive Summary

HARLEM INDUSTRIAL PARK CONSERVATION AREA

- Designated: March 14, 2007
- Expires: December 31, 2031
- 151 acres
- 147 parcels at time of designation

The 151-acre Harlem Industrial Park Conservation Area ("Harlem IPCA" or "IPCA") was created March 14, 2007 under the Industrial Jobs Recovery Law (IJRL). The Harlem IPCA TIF consists of light industrial and manufacturing uses, railroad right-of-ways, assorted parking lots and vacant parcels. Located within the Clearing community's Harlem Industrial Corridor, the TIF's purpose is to provide for the coordinated redevelopment and rehabilitation of area properties to ensure the stability of business uses within the industrial park and to promote additional private investment. Funds are targeted for improvements to existing structures, public works enhancements, and site assembly and preparation initiatives for new construction, job training, and environmental remediation where necessary.

Harlem Industrial Park Conservation Area Activity –2007-2015

INVESTMENT SUMMARY
- $402,183 in Small Business Improvement Fund (SBIF) grant awards to seven business owners which leverage an additional private investment of $388,056

PROPERTY VALUE
- Equalized Assessed Value - Compound annual growth rate of -2.4 percent, reflecting the impact of the "Great Recession" on property values

DEVELOPMENT
- No TIF-supported major private redevelopment projects

JOB CREATION
- Construction Jobs – 4 one-year full-time equivalent ("FTE") construction jobs created
- Permanent Jobs – No new permanent positions created

DISTRIBUTION OF TIF-ELIGIBLE EXPENDITURES THROUGH 2015 [1]

Professional Services
$52,386
11%

Rehabilitation of Existing Public or Private Buildings
$439,139
89%

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

1. Industrial Park Conservation Area Information

In July 2010, the Tax Increment Financing ("TIF") Allocation Redevelopment Act 65 ILCS 5/11-74.4-5-1, et seq. ("TIF Act") was amended to require municipalities to assemble a status report covering the history and performance of TIF districts that have been in existence for 9 to 10 years. The Act requires the report to detail:

1. The amount of revenue generated within the district;
2. Expenditures made for the Redevelopment Project Area, including TIF fund expenditures;
3. Status of planned activities, goals and objectives, including new and planned construction;
4. The amount of public and private investment within the TIF district; and
5. Other relevant evaluation or performance data.

The Industrial Jobs Recovery Law ("IJRL"), 65ILCS 5/11-74.6-1, et seq. as amended, mirrors the TIF Act in many ways, and the City established several IJRL districts or areas specifically to encourage industrial job growth within those areas. The IJRL does not have a 10-year status report requirement. However, the City has chosen to prepare status reports on its IJRL districts as though they were subject to this reporting provision of the TIF Act. (In this report, IJRL and TIF are used interchangeably as the use of tax increment financing is authorized under the both Acts.)
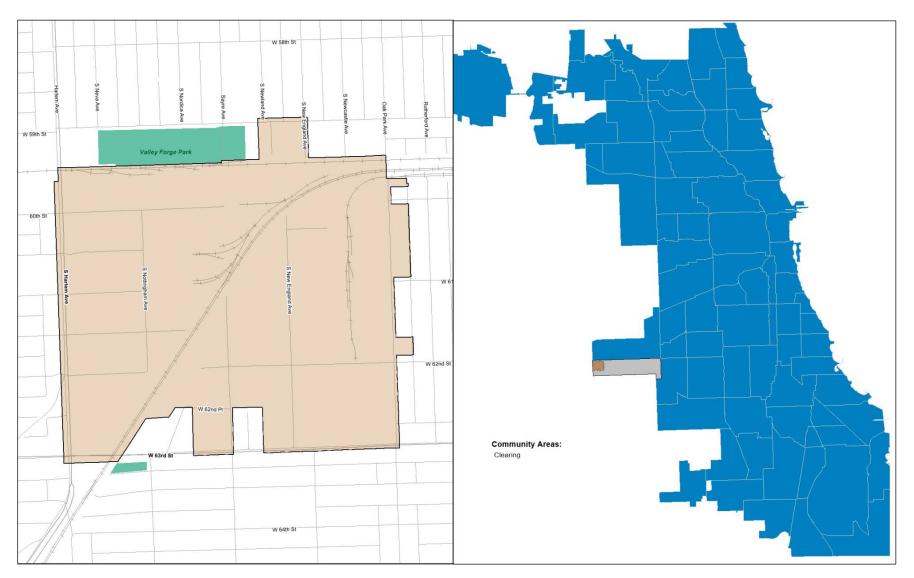
The information summarized herein is for the reporting period from the IJRL district's inception through the end of the 2015 calendar year and the 2014 tax year. Detailed data on the IPCA was compiled similar to the reporting requirements under the TIF Act and is presented in this Ten (10) Year Status Report (the "Report"). The Report contains various data from City of Chicago ("City") departments, including audited financial statements, redevelopment agreements ("RDAs"), intergovernmental agreements ("IGAs"), capital improvement expenditures, and TIF-funded program databases (Small Business Improvement Fund ("SBIF"), and TIFWorks) to track financial and programmatic performance. Data sources are referenced throughout this Report.

Project Area Context and Background

The approximately 151-acre Harlem IPCA is located in the Clearing community area of Chicago, roughly 11 miles southwest of the central business district of the City. The IPCA is bounded roughly by 63rd Street on the south, Oak Park Avenue on the east, 59th Street on the north, and Harlem Avenue on the west. The IPCA boundary is shown in **Exhibit 1** on the following page.

The Harlem IPCA was designated as a TIF district on March 14, 2007, and is expected to expire no later than December 31, 2031. There have been no major or minor amendments to the Harlem IPCA Tax Increment Financing Redevelopment Plan (the "TIF Plan" or "IPCA Plan") as of December 31, 2015.

Exhibit 1. Harlem IPCA

Conditions at Time of TIF Creation

The Harlem IPCA was determined to be eligible for IJRL designation as an Industrial Park Conservation Area under the Industrial Jobs Recovery Law. The Industrial Jobs Recovery Law defines an IPCA based on the following criteria:

- Be an industrially zoned area located within a labor surplus municipality (i.e., a municipality with an unemployment rate that averaged 1 percent or more than the State's unemployment rate for the 4 years prior to creation of the IPCA);
- Have adequate transportation access for employees, goods and services;
- Have industrial vacant or improved land suitable for use as an industrial park and/or a research park;
- Maintain conditions that cause the area to be classified as an industrial park conservation area, a vacant industrial building conservation area, an environmentally contaminated area, or a combination of these types of areas; and
- Have an equalized assessed value (EAV) that is no more than 2 percent of the municipality's EAV.

At the time of designation, there were approximately 51 companies occupying 63 buildings within the IPCA. The IPCA is bisected from the northeast to the southwest by the rail tracks of the Belt Railway of Chicago. The rail tracks can only be traversed within the IPCA at 63rd Street, effectively creating two self-contained areas. The majority of the buildings were found to be greater than 35 years of age.

Goals and Objectives for the IPCA

The overall goal of the TIF is to provide for the coordinated redevelopment and rehabilitation of area properties to ensure the stability of business uses within the industrial park and to promote additional private investment. Funds are targeted for improvements to existing structures, public works enhancements, and site assembly and preparation initiatives for new construction, job training, and environmental remediation where necessary. The following nine (9) objectives were outlined in the Harlem IPCA TIF Plan:

1. Provide sites which are conducive to industrial development, through activities such as demolition, remediation, and rehabilitation;

2. Encourage the use and maintenance of the industrial land;

3. Upgrade infrastructure throughout the Conservation Area;

4. Undertake appropriate environmental remediation measures on development *sites,* according to customary procedures;

5. Ensure a sensitive transition between adjacent residential areas and non-residential developments in the Conservation Area, in order to minimize conflicts between different land uses;

6. Support job training programs to provide residents living in areas surrounding the Conservation Area with the skills necessary to secure jobs within the Conservation Area;

7. Repair and replace the infrastructure where needed, including, but not limited to: roads, sidewalks, public utilities, and other public infrastructure;

8. Study existing and future traffic conditions on arterial and neighborhood side streets and, improve traffic flow, safety and convenience through roadway and railway improvements, and other measures as may be necessary; and

9. Promote women- and minority-owned businesses and affirmative action programs.

Estimated Redevelopment Project Costs and Allocations

The estimated Redevelopment Project Costs outlined in the Harlem IPCA Plan total $30 million. Through 2015, $491,524 has been expended on TIF-supported projects within the IPCA, representing 3.8 percent of the estimated total Redevelopment Project Costs. **Exhibit 2** on the following page displays the estimated eligible costs of the Harlem IPCA Plan by statutory cost category.

Exhibit 2. Total TIF-Eligible Project Costs and Expenditures through 2015

Permissible Cost Category	Eligible Cost Description	Estimated Project Costs	Project Costs Expended Through	
			Expenditure	Percent of Total
1. Professional Services	Costs of studies, surveys, administration, and professional services [1]	$500,000	$52,386	10.5%
2. Marketing of Sites	Costs of marketing sites within RPA to prospective businesses, developers, investors [1]	$0	$0	0.0%
3. Property Assembly & Site Preparation	Property costs assembly including acquisition, demolition, site preparation, and environmental site improvement costs [2]	$2,500,000	$0	0.0%
4. Rehabilitation of Existing Public or Private Buildings	Costs of rehabilitation, reconstruction, repair or remodeling, and replacement of existing public or private buildings or fixtures [3]	$4,000,000	$439,139	11.0%
5. Public Works or Improvements	Costs of construction of public works and improvements [4]	$3,000,000	$0	0.0%
6. Job Training and Retraining	Costs of job training and retraining implemented by businesses or other taxing bodies, including "welfare-to-work" programs, advanced vocational or career education	$2,000,000	$0	0.0%
7. Financing Costs	Financing costs, including interest and issuance costs	$0	$0	0.0%
8. Capital Costs	Taxing districts' capital costs resulting from redevelopment project [3]	$0	$0	0.0%
9. Increased Education Costs	Costs of reimbursing school districts for their increased costs attributable to TIF-assisted housing projects [4]	$0	$0	0.0%
10. Relocation Costs	Relocation Costs	$0	$0	0.0%
11. Interest Costs	Developer incurred interest costs [5]	$1,000,000	$0	0.0%
12. Affordable Housing Construction	Costs of construction, renovation, rehabilitation of housing for low-income and very low-income households [3]	$0	$0	0.0%
13. Day Care Reimbursements	Costs of day care services and operational costs of day care centers for low-income families in RPA	$0	$0	0.0%
TOTAL REDEVELOPMENT PROJECT COSTS [3] [4] [5] [6]		**$13,000,000**	**$491,525**	**3.8%**

Source: Harlem IPCA TIF Plan, dated December 1, 2006, and TIF Annual Reports: Section (2) in 2007-2009 reports; Attachment K in 2010-2015 reports.

[1] Professional Services line item may include the costs of marketing.

[2] Environmental remediation costs, originally a separate category, have been combined with Property Assembly & Site

[3] Rehabilitation of Existing Public or Private Buildings line item may include the costs of affordable housing construction or rehabilitation.

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

[5] Interest Costs category includes Payments in Lieu of Taxes (PILOT)

[6] Total Redevelopment Project Costs in TIF Plan exclusive of interest on City-issued obligations, capitalized interest, issuance costs and other financing costs. All costs may be increased by the rate of inflation reflected in the Consumer Price Index (CPI) for All Urban Consumers for All Items for the Chicago-Gary-Kenosha, IL-IN-WI CMSA, published by the U. S. Department of Labor.

2. Industrial Park Conservation Area Revenues and Expenditures

This chapter provides information on the incremental property tax revenue generated and associated expenditures within the Harlem IPCA from its inception through December 31, 2015.

Growth in EAV and Revenue Generated within Harlem IPCA

Incremental property tax revenues are generated based on the growth in equalized assessed value (EAV) that arises during the IPCA's existence, as compared to the initial EAV at the time of adoption. The IPCA's initial or base EAV was $45,981,764. As of December 31, 2015, the total taxable EAV (for tax year 2014) of the IPCA was $36,865,644, representing a decline of 19.8 percent from the initial EAV.

Exhibit 3: Growth in EAV: Tax Year 2005 - 2014

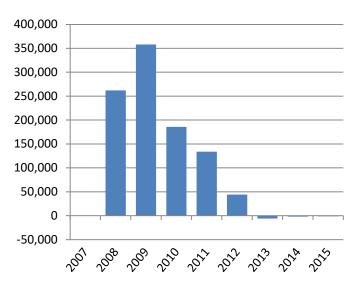| Year	EAV	% Change from Initial EAV
2005 Initial EAV	$45,981,764	--
2014 - Current EAV	$36,865,644	-19.8%

This growth in EAV in the IPCA generated a total of $975,060 in incremental property tax revenue from 2007 through the end of 2015, as displayed in **Exhibits 4 and 5**. Property tax is collected in the year after taxes are levied, therefore these exhibits cover the period through tax year 2014, for which property taxes were collected in calendar year 2015.

Exhibit 4. Annual Incremental Property Tax Revenue Collected, 2007-2015

Year	Incremental Property Tax Collected
2007	$0
2008	$261,958
2009	$357,998
2010	$185,879
2011	$134,010
2012	$44,388
2013	($5,968)
2014	($2,085)
2015	($1,120)
TOTAL INCREMENTAL PROPERTY TAX COLLECTED, 2007-2015	**$975,060**

Exhibit 5. Annual Incremental Property Tax Revenue Collected, 2007-2015

Source: TIF Annual Reports: Section (7)(D) in 2007-2009 reports; Section 3.1 in 2010-2015 Reports. Property tax increment is deposited in a special tax allocation fund for this TIF. Negative increments are generally due to property owners' successful appeals of assessed values in prior years, resulting in property tax refunds which if greater than the annual increment for the year of refund, show up as negative increment. Negative increments are not due to declarations of surplus, transfer of funds to adjacent TIFs, or total EAV of the TIF being less than the base or initial EAV.

Note that although the EAV at the end of the reporting period (tax year 2014) was less than the base EAV, the RPA generated incremental tax revenues during the reporting period. The reason for this is that there were years during the reporting period for which the total EAV was greater than the base EAV for the RPA, but at the end of the period (tax year 2014) total EAV for the IPCA was still substantially below the initial or base EAV.

Transfers of TIF Funds

No funds were transferred (or "ported") into the Harlem Industrial Park special tax allocation fund from adjacent TIF districts through December 31, 2015.

No funds were transferred out of the Harlem Industrial Park special tax allocation fund to adjacent TIF districts through December 31, 2015.

City Acquisition of Property

No properties were acquired within the IPCA by the City from inception of the IPCA through 2015.

City Expenditures within the IPCA

From 2007 to 2015, $975,060 in incremental property tax revenue was expended in support of projects within the Harlem IPCA. Expenditures of TIF revenue over this period are presented in **Exhibit 2** by TIF-eligible cost categories outlined in the TIF Act**.**

As shown in **Exhibit 6** below the City of Chicago did not allocate or expend additional non-TIF resources in support of TIF-funded projects within the Harlem IPCA.

Exhibit 6. Non-TIF City Investments in TIF-Supported Projects, 2007-2015

Non-TIF City investments were not made through December 2015

Source: City of Chicago Capital Management System database, RDA and IGA database, Annual Reports

Declaration of Surplus Funds

In December 2011, the City declared a surplus of $57,000 in the Harlem IPCA special tax allocation fund. In June 2012, the surplus funds were sent to the Treasurer.
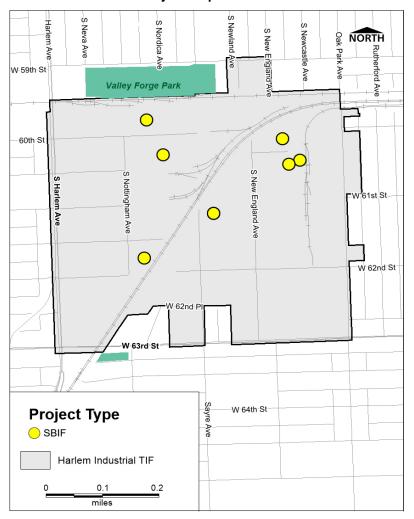
3. Industrial Park Conservation Area Accomplishments

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

IPCA Project Profiles – Major Accomplishments

Project profiles for TIF-supported projects within the Harlem IPCA that are underway or have been completed, as of December 31, 2015, are provided in **Exhibits 8 through 12** on the following pages. Key project information presented includes total project costs, TIF investment (to date and expected), public-to-private investment ratio, and additional community impacts resulting from or expected to result from these projects. The tables include projects receiving TIF investment through RDAs, the SBIF program, and public infrastructure improvements receiving funds through TIF and other City sources. Projects which have been allocated TIF funds, but for which no TIF expenditures have occurred, are presented in **Exhibit 14** in the section on planned projects.

Exhibit 7. TIF-Funded Project Map

The public infrastructure projects, SBIF projects, and the TIF investments made via Redevelopment Agreements within the IPCA, as reported in **Exhibit 8 and 12**, are displayed in **Exhibit 7**. Planned projects, as reported in **Exhibit 14**, are also featured in the map below (projects without defined locations are not mapped).

Exhibit 8. Redevelopment Agreement Projects

No Redevelopment Agreement Projects have received TIF funding through December 2015.

Source: City's RDA and IGA database, Capital Management System database, TIF Annual Reports

Exhibit 9. Redevelopment Agreement Projects: Community Impacts

No Redevelopment Agreement Projects have received TIF funding through December 2015.

Source: City's RDA and IGA database, Capital Management System database, TIF Annual Reports

Exhibit 10. Intergovernmental Agreement Projects

No Intergovernmental Agreement Projects have received TIF funding through December 2015.

Source: City's RDA and IGA database, Capital Management System database, TIF Annual Reports

Exhibit 11. TIF-Funded Programs

Project	Project Type	Total TIF Funding Expected [1]	Total Private Investment through 2015 [2]	TIF Investment Through 2015[2]	Ratio of Non-TIF to TIF Investment	Description / Key Community Impacts [3]
Small Business Improvement Fund (SBIF)	Small Business Rehabilitation	$500,000	$388,056	$402,183	.96:1	10 SBIF grants through 2015 funded functionality improvements for 7 small businesses, undertaking auto rebuilding, industrial plating, industrial grinding laboratory, and paper production. Improvements included new roofing, window replacement, dock improvements, and building exterior and interior improvements. SBIF grants ranged from $3,459 to $73,600 reimbursing business owners 50% to 75% of total project costs.
LIRI / CSS /NBDC	Business Retention	$19,763	N/A	$19,763	N/A	Local Industrial Retention Initiative, Commercial Support Services, and Neighborhood Business Development Center grants to assist in funding business-oriented programs and services within the TIF.
TOTAL		**$519,763**	**$388,056**	**$421,946**	**N/A**	

[1] Source: 2015 TIF Annual Report, City expenditure data

[2] On-Line SBIF Database; City of Chicago for other programs

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

Exhibit 12. Public Infrastructure Projects

No public infrastructure projects have been funded within the IPCA through December 2015.

Source: City of Chicago DPD, Capital Management System database, TIF Annual Reports

Additional Performance Metrics

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

CONSTRUCTION JOB CREATION

4 one-year full-time equivalent construction jobs

Temporary construction employment associated with private projects (those with Redevelopment Agreements), public projects (those with Intergovernmental Agreements), and the SBIF programs has been estimated for this report where applicable. For consistency, estimates for all projects were developed using IMPLAN, an economic impact modeling program, which incorporates local employment and economic data from the U.S. Bureau of Labor Statistics ("BLS") and Bureau of Economic Analysis ("BEA"). The inputs for the IMPLAN analysis were derived from the actual project budgets, as presented in the RDAs, and SBIF grant agreements.

Based on this methodology, an **estimated four one-year full-time equivalent ("FTE") construction jobs** were created as a result of the Harlem Industrial SBIF programs between 2007 and 2015.
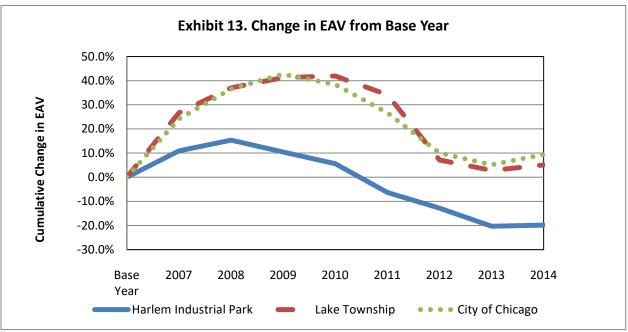
PERMANENT JOB CREATION

There were no projects that resulted in new permanent jobs during the reporting period.

CHANGE IN EQUALIZED ASSESSED VALUE

A comparison of the change in EAV over time in the Harlem IPCA to larger geographies is one indication of the relative growth in property values in the IPCA. Growth in property values from the creation of the IPCA is one metric of the relative economic health of the IPCA. The cumulative growth in total EAV for the Harlem IPCA, Lake Township, and the City of Chicago, overall, is displayed in **Exhibit 13** on the following page for the base year and tax years 2007 through 2014.

Property values within the Harlem IPCA have grown at a **compound annual growth rate (CAGR) of -2.4 percent** from tax year 2006 to tax year 2014 while EAV in Lake Township and the City of Chicago has grown at a CAGR of 0.6 percent and 1.0 percent, respectively.

Note that although the EAV for tax year 2011 (collection year 2012) was less than the base EAV for the RPA, the RPA generated incremental tax revenues for that year (see Exhibit 4). It is possible for revenue to be generated in a year when the total EAV is less than base EAV for that year. By TIF statute the "negative" incremental EAV for a property (which results when the EAV for that property falls below the base for that property) is not to count against or subtract from the positive, revenue-generating incremental EAV for other properties in the RPA.

Exhibit 13. Change in EAV from Base Year

Source: Cook County Assessor's Office, EAV before exemptions.

Status of Planned Activities, Goals and Objectives

PLANNED ACTIVITIES

The projects presented in **Exhibits 8 through 12** include only those TIF-supported projects for which TIF funds have been expended through December 31, 2015. Planned projects are defined as those that have met substantial approval criteria for receiving TIF funds as of December 2015, but as of December 2015 had not received any TIF funding. These planned projects consist of:

- Projects with an executed RDA, or with an RDA under negotiation following approval by the Community Development Commission;
- IGAs that have received City Council approval but without TIF expenditures through 2015;
- TIF-funded programs for which funding has been approved but no TIF dollars expended; and
- Public infrastructure projects with prior approval but no expenditures through 2015, or projects included in the City's 2015-2019 TIF Projection Reports as "potential projects."

As indicated in **Exhibit 14 there were no planned projects for the IPCA as of December 31, 2015**.

Exhibit 14: Planned Projects

No Planned Projects have been identified through December 2015.

Source: TIF Projection Reports 2015-2019, City of Chicago expenditure data, City RDA and IGA database

Progress toward Achieving Goals and Objectives

Consistent with the TIF Act **Exhibit 15** below presents a summary of the relevant projects and their progress in addressing the goals and objectives outlined in the Harlem IPCA TIF Plan through 2015.

Exhibit 15. Progress toward Achieving Goals and Objectives Outlined in Harlem Industrial Park TIF Plan

Map ID	Project	Relevant Goals and Objectives Addressed
--	Small Business Improvement Program	2

Source: Redevelopment Agreements, Intergovernmental Agreements, City of Chicago TIF Program Tracking Data, Capital Management System database.