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# **1999 Annual Report**

## **Near South Redevelopment Project Area**



**Pursuant to 65 ILCS 5/11-74.4-5(d)**

***JUNE 30, 2000***

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June 30, 2000

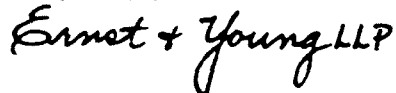
Mr. Christopher R. Hill  
Commissioner  
Department of Planning and Development  
121 N. LaSalle St.  
Chicago, Illinois 60602

Commissioner Hill:

Enclosed is the annual report for the Near South Redevelopment Project Area, which we compiled at the direction of the Department of Planning and Development pursuant to Section 5(d) of the Tax Increment Allocation Redevelopment Act (65 ILCS 5/11-74.4-1 et seq.), as amended. The contents are based on information provided to us by the Chicago Departments of Planning and Development, Finance, and Law. We have not audited, verified, or applied agreed upon accounting and testing procedures to the data contained in this report. Therefore, we express no opinion on its accuracy or completeness.

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

# Near South Redevelopment Project Area 1999 Annual Report

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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, 2000

Mr. Daniel W. Hynes  
Comptroller  
State of Illinois  
Office of the Comptroller  
201 Capitol  
Springfield, IL 62706

Comptroller Hynes:

We have compiled the attached information for the Near South  
Redevelopment Project Area (Report) pursuant to 65 ILCS 5/11-  
74.4-5(d).

Very Truly Yours,

Christopher R. Hill  
Commissioner  
Department of Planning and Development

NEIGHBORHOODS



**Near South Redevelopment Project Area  
1999 Annual Report**

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**(1) DATE OF DESIGNATION OR TERMINATION - 65 ILCS 5/11-74.4-5(d)(1.5)**

The Project Area was designated on August 3, 1994. The Project Area may be terminated no later than August 3, 2017.

**Near South Redevelopment Project Area  
1999 Annual Report**

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**(2) AUDITED FINANCIALS - 65 ILCS 5/11-74.4-5(d)(2)**

Please see attached.

CITY OF CHICAGO, ILLINOIS  
NEAR SOUTH  
REDEVELOPMENT PROJECT  
FINANCIAL REPORT  
DECEMBER 31, 1999 AND 1998

CITY OF CHICAGO, ILLINOIS  
NEAR SOUTH REDEVELOPMENT PROJECT

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**BANSLEY AND KIENER, L. L. P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

125 SOUTH WACKER DRIVE

CHICAGO, ILLINOIS 60606-4496

AREA CODE 312 263-2700

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined balance sheet of the Near South Redevelopment Project of the City of Chicago, Illinois, as of December 31, 1999, and the related combined statements of revenues, expenditures and changes in fund balance - governmental funds for the years ended December 31, 1999 and 1998. These combined financial statements are the responsibility of the City of Chicago's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. We previously audited and reported upon the balance sheet as of December 31, 1998, totals of which are included for comparative purposes only.

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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Near South Redevelopment Project of the City of Chicago, Illinois, as of December 31, 1999, and the results of its governmental funds operations and changes in fund balance for the years ended December 31, 1999 and 1998 in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The schedule of expenditures by statutory code on page 8, which is also the responsibility of the City of Chicago's management, is presented for purposes of additional analysis and is not a required part of the combined financial statements of Near 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 combined financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the combined financial statements taken as a whole.

*Bardey and Kiener, L.L.P.*

Certified Public Accountants

May 19, 2000

CITY OF CHICAGO, ILLINOIS  
NEAR SOUTH REDEVELOPMENT PROJECT

COMBINED BALANCE SHEETS  
DECEMBER 31, 1999  
(With Comparative Totals for 1998)

<u>A S S E T S</u>	<u>Governmental Funds</u>	<u>General Long-term Debt Account Group</u>	<u>Total 1999</u>	<u>Total 1998</u>
Cash and investments	\$28,977,247	\$ -	\$28,977,247	\$14,804,319
Property taxes receivable	13,158,738	-	13,158,738	5,897,000
Accrued interest receivable	115,076	-	115,076	195,504
Amount available for debt service	-	8,210,018	8,210,018	11,669,490
Amount to be provided for retirement of general long-term debt	<u>-</u>	<u>39,174,982</u>	<u>39,174,982</u>	<u>11,330,510</u>
Total assets	<u>\$42,251,061</u>	<u>\$47,385,000</u>	<u>\$89,636,061</u>	<u>\$43,896,823</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Vouchers payable	\$ 291,916	\$ -	\$ 291,916	\$ 2,375,906
Accrued interest payable	294,321	-	294,321	289,576
Due to other City funds	187,823	-	187,823	590,076
Deferred revenue	12,174,164	-	12,174,164	5,897,000
Bonds payable (Note 2)	<u>-</u>	<u>47,385,000</u>	<u>47,385,000</u>	<u>23,000,000</u>
Total liabilities	<u>12,948,224</u>	<u>47,385,000</u>	<u>60,333,224</u>	<u>32,152,558</u>
Fund balance				
Reserved for debt service	8,210,018	-	8,210,018	11,669,490
Designated for future redevelopment project costs	<u>21,092,819</u>	<u>-</u>	<u>21,092,819</u>	<u>74,775</u>
Total fund balance	<u>29,302,837</u>	<u>-</u>	<u>29,302,837</u>	<u>11,744,265</u>
Total liabilities and fund balance	<u>\$42,251,061</u>	<u>\$47,385,000</u>	<u>\$89,636,061</u>	<u>\$43,896,823</u>

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

CITY OF CHICAGO, ILLINOIS  
NEAR SOUTH REDEVELOPMENT PROJECT

COMBINED STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Revenues		
Property tax	\$ 6,984,676	\$ 5,407,984
Interest	<u>1,320,200</u>	<u>624,978</u>
Total revenues	<u>8,304,876</u>	<u>6,032,962</u>
Expenditures		
Capital projects	7,430,067	3,559,322
Bond issuance costs	1,080,053	-
Debt service		
Principal retirement	2,615,000	-
Interest	<u>1,671,356</u>	<u>2,151,139</u>
Total expenditures	<u>12,796,476</u>	<u>5,710,461</u>
Revenues over (under) expenditures	<u>(4,491,600)</u>	<u>322,501</u>
Other financing sources		
Proceeds of debt, net of bond defeasance and refunding expenses (Note 2)	21,866,839	-
Operating transfers in (Note 3)	<u>183,333</u>	<u>-</u>
Total other financing sources	<u>22,050,172</u>	<u>-</u>
Revenues and other financing sources over expenditures	17,558,572	322,501
Fund balance, beginning of year	<u>11,744,265</u>	<u>11,421,764</u>
Fund balance, end of year	<u>\$29,302,837</u>	<u>\$11,744,265</u>

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

CITY OF CHICAGO, ILLINOIS  
NEAR SOUTH REDEVELOPMENT PROJECT

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Description of Project

The Near South Tax Increment Redevelopment Project Area (Project) (formerly known as the Central Station Redevelopment Project) was established in August 1994. The area has been established to finance improvements, leverage private investment, create and retain jobs and to retire the Redevelopment Tax Increment Bonds (Near South Redevelopment Project), Series 1994A in the principal amount of \$23,000,000. Reimbursements, if any, are made to the developer for project costs, as infrastructure improvements are completed and pass City inspection. Phase I of the project was residential. Subsequent phases will include a combination of residential and commercial development.

Principal and interest on the bonds will be paid from incremental property taxes generated by the redevelopment district.

Basis of Accounting

The Project is accounted for within the capital project, debt service and special revenue funds of the City. The Bonds Payable are recorded in the City's General Long-term Debt Account Group. The report is presented herein on a combined basis.

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

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

Management's Use of Estimates

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

CITY OF CHICAGO, ILLINOIS  
NEAR SOUTH REDEVELOPMENT PROJECT

NOTES TO COMBINED 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

The bond proceeds and incremental taxes associated with the Near South Tax Increment Financing District are deposited with the City Treasurer or in a separate trust account. Eligible project expenditures are approved by the Department of Planning and Development in accordance with the project budget and paid from the trust account. Eligible project expenditures may be paid from bond proceeds or incremental taxes in excess of next year's annual debt service, after fully funding of all other funds and accounts.

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.

The City values its investments at fair value or amortized cost. U.S. Government securities purchased at a price other than par with a maturity of less than one year are reported at 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.

CITY OF CHICAGO, ILLINOIS  
NEAR SOUTH REDEVELOPMENT PROJECT

NOTES TO COMBINED FINANCIAL STATEMENTS  
(Continued)

Note 2 - Bonds Payable

In March 1999, the City issued \$50,000,000 of Near South Tax Increment Allocation Bonds (the "Bonds"), Series 1999A and B (Taxable) in order to advance refund the Series 1994 bonds and provide monies for project costs. The Bonds are payable serially through November 15, 2013, beginning November 15, 1999. The Bonds have an interest rate of between 4.00 percent to 5.65 percent. Net proceeds of \$32,800,000 were used to finance certain project costs in the Near South Redevelopment Project Area (\$27,300,000) and to fund debt service and related reserve accounts (\$5,500,000). The refunding decreased the City's total debt service payments by \$9,500,000 and provided an economic gain of \$2,300,000.

The aggregate maturities of the bonds (principal portion only) are as follows:

	<u>Series</u> <u>1999A</u>	<u>Series</u> <u>1999B</u>	<u>Total</u>
2000	\$ -	\$2,245,000	\$ 2,245,000
2001	-	2,365,000	2,365,000
2002	2,225,000	275,000	2,500,000
2003	2,605,000	-	2,605,000
2004	2,720,000	-	2,720,000
Thereafter	<u>34,950,000</u>	<u>-</u>	<u>34,950,000</u>
	<u>\$42,500,000</u>	<u>\$4,885,000</u>	<u>\$47,385,000</u>

Note 3 - Operating Transfers In

During 1999, in accordance with state statutes, the Project received \$183,333 from the contiguous Michigan-Cermak Redevelopment Project for job-training to operate the Cermak-Gateway Transitional Job Center.

Note 4 - Commitments

As of December 31, 1999 the Project has entered into contracts for approximately \$602,000 for services and construction projects.

SUPPLEMENTARY INFORMATION



SCHEDULE OF EXPENDITURES BY STATUTORY CODE

<u>Code Description</u>	<u>1999</u>	<u>1998</u>
Costs of studies, surveys, development of plans and specifications, implementation and administration of the redevelopment plan including but not limited to staff and professional service costs for architectural, engineering, legal, marketing	\$ 453,622	\$ 279,026
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 grading of land	-	2,832,453
Costs of the construction of public works or improvements	6,976,445	444,747
Costs of financing, including but not limited to all necessary and incidental expenses related to the issuance of obligations and which may include payment of interest on any obligations issued hereunder accruing during the estimated period of construction of any redevelopment project for which such obligations are issued and for not exceeding 36 months thereafter and including reasonable reserves related thereto	<u>5,366,409</u>	<u>2,154,235</u>
	<u>\$12,796,476</u>	<u>\$5,710,461</u>

**Near South Redevelopment Project Area  
1999 Annual Report**

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**(3) MAYOR'S CERTIFICATION - 65 ILCS 5/11-74.4-5(d)(3)**

STATE OF ILLINOIS     )  
  )  
COUNTY OF COOK        )

CERTIFICATION

TO:

Daniel W. Hynes  
Comptroller  
State of Illinois  
201 Capitol  
Springfield, Illinois 62706

Dolores Javier, Treasurer  
City Colleges of Chicago  
226 West Jackson Boulevard, Rm. 1149  
Chicago, Illinois 60606

Gwendolyn Clemons, Director  
Cook County Department of Planning &  
Development  
69 West Washington Street, Room 2900  
Chicago, Illinois 60602

Dean L. Viverito, Comptroller  
Forest Preserve District of Cook County  
536 North Harlem Avenue  
River Forest, Illinois 60305

Michael Koldyke, Chairman  
Chicago School Finance Authority  
135 S. LaSalle Street, Suite 3800  
Chicago, Illinois 60603

David Doig, General Superintendent & CEO  
Chicago Park District  
425 East McFetridge Drive, 2d Fl. East  
Chicago, Illinois 60605

Paul Vallas, Chief Executive Officer  
Chicago Board of Education  
125 South Clark Street, 5th Floor  
Chicago, Illinois 60603

Andy Justo, Accounting Manager  
Metropolitan Water Reclamation District of  
Greater Chicago  
100 East Erie Street, Room 2429  
Chicago, Illinois 60611

Lawrence Gulotta, Treasurer  
South Cook County Mosquito Abatement  
District  
155th & Dixie Highway  
P.O. Box 1030  
Harvey, Illinois 60426

I, RICHARD M. DALEY, in connection with the annual report (the "Report") of information required by Section 11-74.4-5(d) of the Tax Increment Allocation Redevelopment Act, 65 ILCS5/11-74.4-1 et seq., (the "Act") with regard to the Near South Redevelopment Project Area (the "Redevelopment Project Area"), do hereby certify as follows:

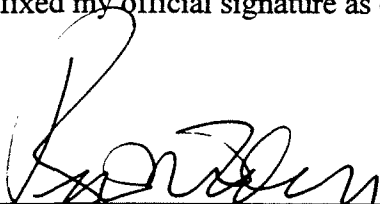
1. I am the duly qualified and acting Mayor of the City of Chicago, Illinois (the "City") and, as such, I am the City's Chief Executive Officer. This Certification is being given by me in such capacity.

2. During the preceding fiscal year of the City, being January 1 through December 31, 1999, the City complied, in all material respects, with the requirements of the Act, as applicable from time to time, regarding the Redevelopment Project Area.

3. In giving this Certification, I have relied on the opinion of the Corporation Counsel of the City furnished in connection with the Report.

4. This Certification may be relied upon only by the addressees hereof.

IN WITNESS WHEREOF, I have hereunto affixed my official signature as of this 30th day of June, 2000.



---

Richard M. Daley, Mayor  
City of Chicago, Illinois

**Near South Redevelopment Project Area  
1999 Annual Report**

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**(4) OPINION BY LEGAL COUNSEL - 65 ILCS 5/11-74.4-5(d)(4)**



City of Chicago  
Richard M. Daley, Mayor

Department of Law

Mara S. Georges  
Corporation Counsel

City Hall, Room 600  
121 North LaSalle Street  
Chicago, Illinois 60602  
(312) 744-6900  
(312) 744-8538 (FAX)  
(312) 744-2963 (TTY)

<http://www.ci.chi.il.us>

June 30, 2000

Daniel W. Hynes  
Comptroller  
State of Illinois  
201 Capitol  
Springfield, Illinois 62706

Dolores Javier, Treasurer  
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226 West Jackson Boulevard, Rm. 1149  
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69 West Washington Street, Room 2900  
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Chicago School Finance Authority  
135 S. LaSalle Street, Suite 3800  
Chicago, Illinois 60603

David Doig, General Superintendent &  
CEO  
Chicago Park District  
425 East McFetridge Drive, 2d Fl. East  
Chicago, Illinois 60605

Paul Vallas, Chief Executive Officer  
Chicago Board of Education  
125 South Clark Street, 5th Floor  
Chicago, Illinois 60603

Andy Justo, Accounting Manager  
Metropolitan Water Reclamation  
District of Greater Chicago  
100 East Erie Street, Room 2429  
Chicago, Illinois 60611

Lawrence Gulotta, Treasurer  
South Cook County Mosquito  
Abatement District  
155th & Dixie Highway  
P.O. Box 1030  
Harvey, Illinois 60426

Re: Near South  
Redevelopment Project Area (the "Redevelopment Project Area")

Dear Addressees:

I am Corporation Counsel of the City of Chicago, Illinois (the "City"). In such capacity, I am providing the opinion required by Section 11-74.4-5(d)(4) of the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 et seq. (the "Act"), in connection with the submission of the report (the "Report") in accordance with, and containing the information required by, Section 11-74.4-5(d) of the Act for the Redevelopment Project Area.

Attorneys, past and present, in the Law Department of the City familiar with the requirements of the Act have had general involvement in the proceedings

NEIGHBORHOODS



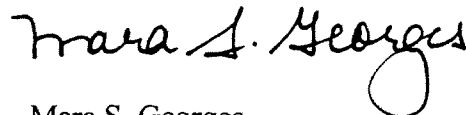
affecting the Redevelopment Project Area, including the preparation of ordinances adopted by the City Council of the City with respect to the following matters: approval of the redevelopment plan and project for the Redevelopment Project Area, designation of the Redevelopment Project Area as a redevelopment project area and adoption of tax increment allocation financing for the Redevelopment Project Area, all in accordance with the then applicable provisions of the Act. Various departments of the City, including, if applicable, the Law Department, Department of Planning and Development, Department of Housing, Department of Finance and Office of Budget and Management, have personnel responsible for and familiar with the activities in the Redevelopment Project Area affecting such Department(s) and with the requirements of the Act in connection therewith. Such personnel are encouraged to seek and obtain, and do seek and obtain, the legal guidance of the Law Department with respect to issues that may arise from time to time regarding the requirements of, and compliance with, the Act.

In my capacity as Corporation Counsel, I have relied on the general knowledge and actions of the appropriately designated and trained staff of the Law Department and other applicable City Departments involved with the activities affecting the Redevelopment Project Area. In addition, I have caused to be examined or reviewed by members of the Law Department of the City the certified audit report, to the extent required to be obtained by Section 11-74.4-5(d)(9) of the Act and submitted as part of the Report, which is required to review compliance with the Act in certain respects, to determine if such audit report contains information that might affect my opinion. I have also caused to be examined or reviewed such other documents and records as were deemed necessary to enable me to render this opinion. Nothing has come to my attention that would result in my need to qualify the opinion hereinafter expressed, subject to the limitations hereinafter set forth, unless and except to the extent set forth in an Exception Schedule attached hereto as Schedule 1.

Based on the foregoing, I am of the opinion that, in all material respects, the City is in compliance with the provisions and requirements of the Act in effect and then applicable at the time actions were taken from time to time with respect to the Redevelopment Project Area.

This opinion is given in an official capacity and not personally and no personal liability shall derive herefrom. Furthermore, the only opinion that is expressed is the opinion specifically set forth herein, and no opinion is implied or should be inferred as to any other matter. Further, this opinion may be relied upon only by the addressees hereof and the Mayor of the City in providing his required certification in connection with the Report, and not by any other party.

Very truly yours,



Mara S. Georges  
Corporation Counsel

**SCHEDULE 1**

(Exception Schedule)

No Exceptions

Note the following Exceptions:



## Near South Redevelopment Project Area 1999 Annual Report

### (5) ANALYSIS OF TIF FUND - 65 ILCS 5/11-74.4-5(d)(5)

COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 1999		1999
Revenues		1999
	Property tax	\$ 6,984,676
	Sales tax	-
	Interest	1,320,200
	<b>Total revenues</b>	<b>8,304,876</b>
Expenditures		
	Costs of studies, admin., and professional services.	453,622
	Marketing costs.	-
	Property assembly, demolition, site preparation and environmental site improvement costs.	-
	Costs of rehabilitation, reconstruction, repair or remodeling and of existing buildings.	-
	Costs of construction of public works and improvements.	6,976,445
	Cost of job training and retraining.	-
	Financing costs.	5,366,409
	Approved capital costs of overlapping taxing districts.	-
	Cost of reimbursing school district for their increase costs caused by TIF assisted housing projects.	-
	Relocation costs.	-
	Payments in lieu of taxes.	-
	Costs of job training, retraining advanced vocational or career education provided by other taxing bodies.	-
	Costs of reimbursing private developers for interest expenses incurred on approved redevelopment projects.	-
	Costs of construction of new housing units for low income and very low income households.	-
	Cost of day care services and operational costs of day care centers.	-
	<b>Total expenditures</b>	<b>12,796,476</b>
	Revenues under expenditures	(4,491,600)
	Other financing sources (uses)	
	Proceeds of debt net of bond defeasance and refunding expenses	21,866,839
	Transfers in	183,333
	Transfers out	-
	Revenues and other financing sources (uses) over expenditures	17,558,572
	Fund balance, beginning of year	11,744,265
	Fund balance, end of year	\$ 29,302,837
Fund balance		
	Reserved for debt service	\$ 8,210,018
	Reserved for encumbrances	-
	Designated for future redevelopment project costs	\$ 21,092,819
Total fund balance		\$ 29,302,837

**Near South Redevelopment Project Area  
1999 Annual Report**

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**(6) DESCRIPTION OF PROPERTY - 65 ILCS 5/11-74.4-5(d)(6)**

During 1999, the City did not purchase any property in the Project Area.

## **Near South Redevelopment Project Area 1999 Annual Report**

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### **(7) STATEMENT OF ACTIVITIES - 65 ILCS 5/11-74.4-5(d)(7)**

- (a)** Projects implemented in the preceding fiscal year. Table 7(a)
- (b)** A description of the redevelopment activities undertaken.
- (c)** Agreements entered into by the City with regard to disposition or redevelopment of any property within a TIF area. Table 7(c)
- (d)** Additional information on the use of all TIF Funds received in a TIF area and steps taken by the City to achieve objectives of the plan.
- (e)** Information on contracts that the City's consultants have entered into with parties that have received, or are receiving payments financed by TIF revenues produced by the TIF area. Table 7(e)
- (f)** Joint Review Board Reports submitted to the City.
- (g)** Project-by-project review of public and private investment undertaken to date after the new TIF Act and expected to be undertaken in the following year, and ratio of private investment to public investment to the date of the report and as estimated to the completion of the redevelopment project. Table 7(g)

**Near South Redevelopment Project Area  
1999 Annual Report**

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**(7)(a) - 65 ILCS 5/11-74.4-5(d)(7)(a)**

During 1999, no projects were implemented.

**(7)(b) - 65 ILCS 5/11-74.4(d)(7)(b)**

Redevelopment activities undertaken within this Redevelopment Project Area during the preceding fiscal year, if any, have been made pursuant to i) the Redevelopment Plan for the Area, and ii) the one or more Redevelopment Agreements affecting the Area, and are set forth on Table 5 herein by TIF-eligible expenditure category.

**(7)(c) - 65 ILCS 5/11-74.4(d)(7)(c)**

During 1999, no agreements were entered into with regard to the disposition or redevelopment of any property within the Project Area.

## **Near South Redevelopment Project Area 1999 Annual Report**

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### **(7)(d) - 65 ILCS 5/11-74.4(d)(7)(d)**

The district has received cumulatively \$ 22,533,839 of property tax and sales tax (if applicable) increment. These amounts have been used to pay for project costs within the district and debt service (if applicable). The district's fund balance shown in Table 5 represents financial resources on a modified accrual basis of accounting that has not been expended.

### **(7)(e) - 65 ILCS 5/11-74.4(d)(7)(e)**

During 1999, no contracts were entered into by the City's tax increment advisors or consultants with entities or persons that have received, or are receiving, payments financed by tax increment revenues produced by the Project Area.

### **(7)(f) - 65 ILCS 5/11-74.4(d)(7)(f)**

During 1999, no reports were submitted to the City by the Joint Review Board.

**Near South Redevelopment Project Area  
1999 Annual Report**

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(7)(g) - 65 ILCS 5/11-74.4(d)(7)(g)

TABLE 7(g)  
PROJECT BY PROJECT REVIEW OF PUBLIC AND PRIVATE INVESTMENT  
AND RATIO OF PRIVATE TO PUBLIC INVESTMENT \*

Projects Undertaken in This Redevelopment Project Area	Private Investment Undertaken		Public Investment Undertaken		Ratio Of Private/Public Investment	
	11/1/99 to date	estimated to complete project	11/1/99 to date	estimated to complete project	11/1/99 to end of reporting FY	estimated to complete project
Project 1:	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**
Total:	n/a**	n/a**	n/a**	n/a**	n/a**	n/a**

Projects Estimated To Be Undertaken During 2000	Private Investment Undertaken	Public Investment Undertaken	Ratio Of Private/Public Investment
Project 1: American Stores Properties Inc.	\$15,021,090	\$5,600,000	2.682
Total:	\$15,021,090	\$5,600,000	2.682

\* Each Public Investment amount reported below is the maximum public investment amount that could be made under the provisions of the corresponding Project/Redevelopment Agreement and may not necessarily reflect actual expenditures, if any, as reported under Sections 2 or 5 herein. (The total public investment ultimately made under the Project/Redevelopment Agreement will depend upon the future occurrence of various conditions set forth in that agreement.)

\*\* During 1999, no public investment was undertaken in the Project Area.

**Near South Redevelopment Project Area  
1999 Annual Report**

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**(8) DOCUMENTS RELATING TO OBLIGATIONS ISSUED BY THE CITY - 65 ILCS  
5/11-74.4-5(d)(8)(A)**

This information is contained in the official statements, limited offering memorandum, promissory note or debt service schedules. (Please see attached.)

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This Official Statement does not constitute an offer to sell the Series 1999 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or make any representations, other than those contained herein, in connection with the offering of the Series 1999 Bonds, and, if given or made, such other information or representations must not be relied upon. The delivery of this Official Statement at any time does not imply that the information or opinions herein are correct as of any time subsequent to its date. The information set forth herein has been obtained by the Underwriters from the City, the Consultant, DTC and other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness. All expressions of opinion herein whether or not so stated as such are intended merely as such and not as representations of fact. No statement herein is to be considered as a contract with any purchaser or owner of the Series 1999 Bonds.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the City's beliefs as well as assumptions made by and information currently available to the City. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

Neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the redevelopment project herein described or in the affairs of the City, or any other party since the dates as of which information is given herein.

No representation is made regarding whether the Series 1999 Bonds constitute legal investments under the laws of any state for banks, savings banks, savings and loan associations, life insurance companies, and other institutions organized in such state, or fiduciaries subject to the laws of such state.

**The Series 1999 Bonds will not be registered under the Securities Act of 1933, as amended, pursuant to an exemption from the registration requirement of such act, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity will have passed upon the accuracy or adequacy of this Official Statement or, other than the authorizing action by the City, approved the Series 1999 Bonds for sale. Any representation to the contrary may be a criminal offense.**

In connection with the issuance of the Series 1999 Bonds, the City will enter into a Continuing Disclosure Undertaking. See "SECONDARY MARKET DISCLOSURE" herein.

IN CONNECTION WITH THE OFFERING OF THE SERIES 1999 BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 1999 BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. THE UNDERWRITERS ARE NOT OBLIGATED TO TAKE SUCH ACTIONS, AND SUCH STABILIZING ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**NEW ISSUE  
GLOBAL BOOK-ENTRY**

*Subject to compliance by the City with certain covenants, in the opinion of Schiff Hardin & Waite and Albert, Whitehead & McGaugh, P.C., Co-Bond Counsel, under present law, interest on the Series 1999A Bonds is not includible in gross income for federal income tax purposes and thus is exempt from federal income taxes based on gross income. Interest on the Series 1999A Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals, but will be taken into account in computing the corporate alternative minimum tax. Interest on the Series 1999A Bonds is not exempt from present Illinois income tax. See the discussion under the heading "TAX EXEMPTION."*



**\$50,000,000  
City of Chicago  
Tax Increment Allocation Bonds  
(Near South Redevelopment Project)  
\$42,500,000 Series 1999A Bonds  
\$7,500,000 Series 1999B Bonds (Taxable)**

**Dated: February 1, 1999**

**Due: November 15, as shown below**

The Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 1999A (the "Series 1999A Bonds") and the Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 1999B (Taxable) (the "Series 1999B Bonds" and, together with the Series 1999A Bonds, the "Series 1999 Bonds") will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof pursuant to a Trust Indenture (the "Indenture") dated as of February 1, 1999 from the City of Chicago (the "City") to Cole Taylor Bank, as Trustee (the "Trustee"). The Depository Trust Company, New York, New York ("DTC"), will act as the securities depository for the Series 1999 Bonds and its nominee will be the registered owner of the Series 1999 Bonds. Individual purchases of the Series 1999 Bonds will be recorded on a book-entry only system operated by DTC. For further details on ownership, payments, notices and other matters under the book-entry only system, see "DESCRIPTION OF THE SERIES 1999 BONDS — Book-Entry System" herein.

Interest on the Series 1999 Bonds is payable on each May 15 and November 15, commencing May 15, 1999. Principal of and premium, if any, on each Series 1999 Bond is payable at maturity or prior redemption.

The Series 1999A Bonds are subject to optional redemption prior to maturity as described herein. The Series 1999B Bonds are not subject to redemption prior to maturity.

Proceeds of the Series 1999 Bonds will be used for the purposes of (i) providing funds to advance refund the City's outstanding Tax Increment Allocation Bonds (Near South Redevelopment Project) Series 1994A, (ii) paying for a Bond Insurance Policy pertaining to the Series 1999 Bonds, (iii) paying for certain Project Costs in the Near South Redevelopment Project Area, (iv) funding any required deposit to the Reserve Account and (v) paying costs related to the issuance of the Series 1999 Bonds.

Payment of the principal of and interest on the Series 1999 Bonds when due will be insured by a municipal bond insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 1999 Bonds.



The Series 1999 Bonds are limited obligations of the City, payable solely from Pledged Revenues, including Incremental Taxes, as described herein, and from amounts on deposit in and pledged to certain funds and accounts as provided in the Indenture. THE SERIES 1999 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NO HOLDER OF THE SERIES 1999 BONDS WILL HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE CITY. THE STATE OF ILLINOIS OR ANY OTHER POLITICAL SUBDIVISION THEREOF FOR ANY PAYMENT OF THE PRINCIPAL OF, OR INTEREST OR PREMIUM, IF ANY, ON THE SERIES 1999 BONDS.

**MATURITY SCHEDULE**

**SERIES 1999A BONDS  
\$42,500,000 Serial Bonds**

<u>Maturity (November 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Maturity (November 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2002	\$2,225,000	4.00%	3.65%	2008	\$3,275,000	4.20%	100%
2003	2,605,000	4.50	3.75	2009	3,415,000	4.25	4.30
2004	2,720,000	4.00	3.85	2010	3,560,000	5.00	4.40
2005	2,830,000	5.00	3.95	2011	3,735,000	5.00	4.50
2006	2,970,000	5.00	4.05	2012	3,925,000	5.00	4.60
2007	3,120,000	5.00	4.15	2013	8,120,000	4.70	100

**SERIES 1999B BONDS  
\$7,500,000 Serial Bonds**

<u>Maturity (November 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
1999	\$2,615,000	5.20%	100%
2000	2,245,000	5.40	5.45
2001	2,365,000	5.55	100
2002	275,000	5.65	5.68

(Accrued interest from February 1, 1999 to be added)

*The Series 1999 Bonds are offered when, as, and if issued by the City, subject to the delivery of the legal opinions of Schiff Hardin & Waite and Albert, Whitehead & McGaugh, P.C., Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the City by its Corporation Counsel and for the Underwriters by their co-counsel, Altheimer & Gray and Victor P. Armendariz & Associates, Chicago, Illinois. It is expected that the Series 1999 Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about March 4, 1999.*

**Dain Rauscher Incorporated**

FIRST ALBANY CORPORATION

LOOP CAPITAL MARKETS, LLC

MELVIN SECURITIES, L.L.C.

Dated: February 10, 1999

**CITY OF CHICAGO**

**MAYOR**

Richard M. Daley

**CITY TREASURER**

Miriam Santos

**CITY CLERK**

James J. Laski

**CITY COUNCIL**

**COMMITTEE ON FINANCE**

Edward M. Burke, Chairman

**CHIEF FINANCIAL OFFICER**

Walter K. Knorr

**BUDGET DIRECTOR**

Barbara A. Lumpkin

**CITY COMPTROLLER**

Phoebe S. Selden

**DEPARTMENT OF PLANNING AND DEVELOPMENT**

Christopher R. Hill, Commissioner

**CORPORATION COUNSEL**

Brian L. Crowe

**CO-BOND COUNSEL**

Schiff Hardin & Waite

Chicago, Illinois

Albert, Whitehead & McGaugh, P.C.

Chicago, Illinois

**CONSULTANT**

Trkla, Pettigrew, Allen & Payne

Chicago, Illinois

## OFFICIAL STATEMENT

**\$50,000,000**  
**CITY OF CHICAGO**  
**TAX INCREMENT ALLOCATION BONDS**  
**(NEAR SOUTH REDEVELOPMENT PROJECT)**  
**\$42,500,000 SERIES 1999A BONDS**  
**\$7,500,000 SERIES 1999B BONDS (TAXABLE)**

### INTRODUCTION

This Official Statement, which includes the Cover Page and Appendices, sets forth information concerning the City of Chicago (the "City") and the City's \$42,500,000 Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 1999A (the "Series 1999A Bonds") and the City's \$7,500,000 Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 1999B (Taxable) (the "Series 1999B Bonds" and, together with the Series 1999A Bonds, the "Series 1999 Bonds"). The Series 1999 Bonds are being issued under and pursuant to the Tax Increment Allocation Redevelopment Act, Section 11-74.4-1 *et seq.* of the Illinois Municipal Code, as supplemented and amended (the "Act"), an ordinance adopted by the City Council of the City on November 18, 1998 (the "Ordinance"), and a Trust Indenture (the "Original Indenture") dated as of February 1, 1999 from the City to Cole Taylor Bank, as Trustee (the "Trustee"), as amended and supplemented by the First Supplemental Indenture (the "First Supplemental Indenture" and, together with the Original Indenture, the "Indenture") dated as of February 1, 1999 from the City to the Trustee. The Series 1999 Bonds are limited obligations of the City, payable solely from Pledged Revenues, as defined herein, including the amounts on deposit in and pledged to certain funds and accounts established under the Indenture. The Series 1999A Bonds and the Series 1999B Bonds have a parity lien in the Pledged Revenues and the aforementioned funds and accounts established under the Indenture. The Indenture permits the issuance of Additional Bonds having a parity lien with the Series 1999 Bonds in the Pledged Revenues and certain of the Indenture funds and accounts. For additional information, see "SECURITY FOR THE SERIES 1999 BONDS" herein.

Proceeds of the Series 1999A Bonds and the Series 1999B Bonds will be used for the purposes of (i) providing funds to advance refund the City's outstanding Tax Increment Allocation Bonds (Near South Redevelopment Project) Series 1994A (the "Series 1994 Bonds"), (ii) paying for a Bond Insurance Policy pertaining to the Series 1999 Bonds, (iii) paying for certain Project Costs in the Near South Redevelopment Project Area, (iv) funding any required deposit to the Reserve Account and (v) paying costs related to the issuance of the Series 1999 Bonds.

The City's Near South Redevelopment Project Area was designated as such pursuant to an ordinance adopted by the City Council of the City on August 3, 1994, and is referred to in this Official Statement as the "Near South Project Area." The Near South Project Area is an expansion of the approximately 127-acre Central Station Area Redevelopment Project Area originally established by the City on November 28, 1990 (the "Original Project Area"). On August 3, 1994, the City Council redesignated the Original Project Area as the Near South Project Area and expanded the size of the Near South Project Area to approximately 375 acres. See "NEAR SOUTH PROJECT AREA" herein.

The summaries of, and references to, all documents, agreements, ordinances, statutes, reports or other instruments referred to in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document, agreement, ordinance, statute, report or instrument.

Payment of the principal of and interest on the Series 1999 Bonds when due will be insured by a municipal bond insurance policy (the "Bond Insurance Policy") to be issued by Ambac Assurance Corporation ("Ambac Assurance" or the "Bond Insurer") simultaneously with the delivery of the Series 1999 Bonds. The Bond Insurance Policy extends for the life of the Series 1999 Bonds and cannot be canceled by the Bond Insurer. See "BOND INSURANCE" herein and APPENDIX D — Specimen Bond Insurance Policy. So long as the Bond Insurer is not in default under the Bond Insurance Policy, the Bond Insurer will have the right, exercisable in each case without notice to or the consent of the Owners of the Series 1999 Bonds, to (i) consent, on behalf of the Owners of the Series 1999 Bonds, to material amendments to the Indenture and (ii) direct the Trustee to take action and give consents, approvals or notices under the Indenture.

Certain words and terms used in this Official Statement and not defined elsewhere have the meanings set forth in Appendix A to this Official Statement.

## THE CITY

The City was incorporated in 1837. The City is a municipal corporation and home rule unit of local government under the 1970 Illinois Constitution and as such "may exercise power and perform any function pertaining to its government and affairs including, but not limited to, the power to regulate for the protection of the public health, safety, morals and welfare; to license; to tax; and to incur debt." The General Assembly of the State of Illinois may limit, by a three-fifths vote of each legislative house, the amount of debt incurred by home rule municipalities. To date, it has not done so.

## DESCRIPTION OF THE SERIES 1999 BONDS

### General Description

The Series 1999 Bonds shall be dated, mature and bear interest as described on the cover page hereof. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest shall be payable on May 15 and November 15 of each year, with the first interest payment date being May 15, 1999. The Series 1999 Bonds shall be issued only in registered form in denominations of \$5,000 or any integral multiple thereof. The principal of and premium, if any, on the Series 1999 Bonds shall be payable at the principal corporate trust office of the Trustee, or its successor in trust. Payment of interest on the Series 1999 Bonds shall be made to the Owners thereof and shall be paid by check or draft of the Trustee mailed to the person in whose name each Series 1999 Bond is registered on the Record Date at his or her address as it appears on the registration books of the City maintained by the Trustee or at such other address as is furnished in writing by such Owner to the Trustee. The Indenture defines "Record Date" as May 1 and November 1. There is no provision for acceleration of the maturity of the Series 1999 Bonds if any default occurs in the payment of principal of, premium, if any, or interest on the Series 1999 Bonds or in the performance of any obligation of the City.

### Redemption Prior to Maturity

*Optional Redemption.* The Series 1999A Bonds maturing on or after November 15, 2010 are subject to redemption prior to maturity at the option of the City, in whole or in part, on November 15, 2009, and any date thereafter from any available funds of the City, and if in part, in maturities selected by the City and by lot within a maturity as determined by the Trustee, at the redemption price equal to 100% of the principal amount of the Series 1999A Bonds to be redeemed plus accrued interest to the date fixed for redemption.

*General Redemption Provisions.* In the event of the redemption of less than all the Series 1999A Bonds of like maturity, the aggregate amount to be redeemed shall be \$5,000 or an integral multiple of that amount and the Trustee shall assign to each Series 1999A Bond of such maturity a distinctive number for each \$5,000 of such Series 1999A Bonds and shall select by lot from the numbers so assigned as many numbers as, at \$5,000 for each number, shall equal the amount of such Series 1999A Bonds to be redeemed. The Series 1999A Bonds to be redeemed in part shall be the Series 1999A Bonds whose assigned numbers were so selected; provided that only so much of the amount of each Series 1999A Bond shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected.

The Trustee shall receive notice from the City of the City's election or direction to redeem Series 1999A Bonds pursuant to the Indenture, and when redemption of Series 1999A Bonds is required by the Indenture, the Trustee shall give notice in the name of the City, of the redemption of such Series 1999A Bonds. The notice shall specify the Series and maturities of the Bonds to be redeemed, the date fixed for redemption and the place or places where amounts due upon such date fixed for redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 1999A Bonds so to be redeemed and in the case of Series 1999A Bonds to be redeemed in part only, the notice shall also specify the respective portions of the principal amount to be redeemed. The notice shall further state that on such date there shall become due and payable the Redemption Price of each Series 1999A Bond to be redeemed or the Redemption Price of the specified portions of the principal thereof in the cases of Series 1999A Bonds to be redeemed in part only, together with interest accrued to the date fixed for redemption, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail copies of the notice by first class mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owners of the Series 1999A Bonds to be redeemed at their addresses, as shown on the registration books of the City maintained by the

Registrar. If the Trustee mails notice of redemption as provided in the Indenture, notice shall be conclusively presumed to have been given to all Owners.

*Series 1999B Bonds Not Subject to Redemption.* The Series 1999B Bonds are not subject to redemption prior to maturity.

#### **Negotiability, Transfer, Exchange and Registry**

The Series 1999 Bonds shall be negotiable, subject to the following provisions for registration, exchange and transfer. So long as any of the Series 1999 Bonds shall remain outstanding, the City shall maintain and keep, at the principal corporate trust office of the Trustee, who is appointed Bond Registrar, books for the registration and transfer of Series 1999 Bonds. Upon presentation of any Series 1999 Bond for registration and transfer at that office, the City shall register or cause to be registered in those books, and shall permit to be transferred on those books, under such reasonable regulation as it or the Trustee may prescribe, any Series 1999 Bond entitled to registration or transfer.

Each Series 1999 Bond shall be transferable only upon the registration books of the City, which shall be kept for that purpose by the Registrar, by the Owner in person or by its attorney duly authorized in writing upon surrender thereof with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or its duly authorized attorney. Upon the transfer of any such Series 1999 Bond, the City shall issue in the name of the transferee a new Bond or Bonds in Authorized Denominations of the same aggregate principal amount, Series and maturity as the surrendered Series 1999 Bond.

The City and each Fiduciary may deem and treat the person in whose name any Series 1999 Bond shall be registered upon the registration books of the City as the absolute owner of such Series 1999 Bond, whether such Series 1999 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the Redemption Price of and interest on such Series 1999 Bond and for all other purposes, and all such payments so made to any such Owner or upon its order shall be valid and effectual to satisfy and discharge the liability upon such Series 1999 Bond to the extent of the sums or sums so paid, and neither the City nor any Fiduciary shall be affected by any notice to the contrary.

In all cases in which the privilege of transferring or exchanging Series 1999 Bonds is exercised, the City shall execute and the Trustee shall authenticate and deliver Series 1999 Bonds in accordance with the provisions of the Indenture. All Series 1999 Bonds surrendered in any such exchanges shall forthwith be canceled by the Trustee. For any exchange or transfer of Series 1999 Bonds, whether temporary or definitive, the City, the Trustee or the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid. The Registrar and the Trustee shall not be required to make any registration, transfer or exchange of any Series 1999 Bond during the period between each Record Date and the next succeeding Interest Payment Date of such Series 1999 Bond, or after such Series 1999 Bond has been called for redemption or, in the case of any proposed redemption of Series 1999 Bonds, during the fifteen days next preceding the date of first giving notice of redemption.

#### **Book-Entry System**

*The following information concerning The Depository Trust Company, New York, New York ("DTC"), has been furnished by DTC. Neither the City nor the Underwriters takes responsibility for its accuracy or completeness.*

The Series 1999 Bonds will initially be issued as registered bonds through a book-entry system operated by DTC, acting as securities depository for the Series 1999 Bonds. The ownership of one fully registered Series 1999 Bond for each maturity of each Series as set forth on the cover page, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. DTC has advised the City that it is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of participating members (the "Participants") and to facilitate the clearance and settlement of securities transactions among Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need of physical movement of securities certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of which (and/or their representatives) own DTC.

Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly.

Ownership interests in the Series 1999 Bonds may be purchased only by or through Participants. Such Participants and the persons for whom they acquire interests in the Series 1999 Bonds as nominees will not receive certificated Series 1999 Bonds, but each Participant will receive a credit balance in the records of DTC in the amount of such Participant's interest in the Series 1999 Bonds, which will be confirmed in accordance with DTC's standard procedures. Each such person for whom a Participant has an interest in the Series 1999 Bonds, as nominee, may desire to make arrangements with such Participant to have all notices of redemption or other communications of the City to DTC which may affect such persons forwarded in writing by such Participant and to have notification made of all principal and interest payments. **NEITHER THE CITY NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION IN ANY RESPECT TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 1999 BONDS.**

DTC will receive payment of interest and principal and premium, if any, on the Series 1999 Bonds from the Trustee, to be remitted to the Participants for the benefit of the beneficial owners, and thereafter paid by the Participants to the beneficial owners. The ownership interest of each beneficial owner in the Series 1999 Bonds will be recorded through the computerized book-entry system operated by DTC and through the records of the Participants.

When reference is made to any action which is required or permitted to be taken by the beneficial owners, such reference relates only to those persons permitted to act (by statute, regulation or otherwise) on behalf of such beneficial owners for such purposes. When notices are given, they will be sent by the City or the Trustee to DTC with a request that DTC forward (or cause to be forwarded) the notices to the Participants so that such Participants may forward (or cause to be forwarded) the notices to the beneficial owners. Upon any partial optional redemption of Series 1999 Bonds of a maturity of any Series, DTC will determine the interest in the Series 1999 Bonds to be redeemed by assigning a distinctive number for each \$5,000 principal amount of such interests and will select the interests to be redeemed by lot. It will then be the responsibility of each Participant to select the interests to be redeemed for the accounts of the persons for whom such Participant holds interests in such Series 1999 Bonds as nominee.

It will be the responsibility of the Participants to furnish confirmations of purchases of the Series 1999 Bonds to the beneficial owners. Transfers of ownership interests in the Series 1999 Bonds will be accomplished by book entries made by DTC and the Participants who act on behalf of the beneficial owners. Beneficial owners will not receive certificates representing their ownership interest in the Series 1999 Bonds, except as specifically provided in the Indenture. Interest, principal and premium, if any, will be paid by the Trustee to DTC, then paid by DTC to the Participants, and thereafter paid by the Participants to the beneficial owners when due.

For every transfer and exchange of the Series 1999 Bonds, the City, the Trustee, DTC and the Participants may charge the beneficial owner a sum sufficient to cover any tax or other governmental charge that may be imposed in relation to it.

DTC may determine to discontinue providing its services with respect to the Series 1999 Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City is obligated to deliver Series 1999 Bond certificates as described in the Indenture. If the Authorized Officer of the City determines that DTC or a successor is incapable of discharging its responsibilities as a securities depository for the Series 1999 Bonds or that it is in the best interests of the beneficial owners that they be able to obtain certificated Series 1999 Bonds, the City may cause the Trustee to authenticate and deliver Series 1999 Bond certificates to Participants. If DTC is no longer to serve as securities depository for the Series 1999 Bonds, DTC, the City and the Trustee shall cooperate with one another in taking appropriate action to make available separate certificates evidencing the Series 1999 Bonds to the Participants having Series 1999 Bonds credited to their DTC accounts or arrange for another securities depository operating a book-entry securities depository to maintain custody of certificates evidencing the Series 1999 Bonds.

The City and the Trustee will have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Series 1999 Bonds, (ii) the delivery to any Participant or any other person, other than a registered owner, of any notice with respect to the Series 1999

Bonds, including any notice of redemption or (iii) the payment to any Participant or any other person, other than a registered owner, of any amount with respect to principal of, premium, if any or interest on the Series 1999 Bonds.

## SECURITY FOR THE SERIES 1999 BONDS

### Limited Obligations

The Series 1999 Bonds, together with the interest and premium, if any, thereon, are limited obligations of the City, payable solely from Pledged Revenues, including Incremental Taxes, and the amounts on deposit in and pledged to certain funds and accounts and sub-accounts as provided for in the Indenture. No Owner of any Series 1999 Bond will have the right to compel the exercise of any taxing power of the City for payment of principal thereof or interest or premium, if any, thereon. THE SERIES 1999 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION THEREOF, OR A LOAN OF CREDIT THEREOF WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION.

### Pledge of Pledged Revenues

There are pledged for the payment of the principal, premium if any, and interest on the Series 1999 Bonds and any Additional Bonds or Refunding Bonds (collectively, the "Bonds") in accordance with their terms and the provisions of the Indenture and a lien is hereby granted for such purpose, subject only to the provisions of the Indenture permitting or requiring the application thereof for the purposes and terms and conditions set forth in the Indenture (i) the Pledged Revenues, (ii) amounts on deposit in all Funds, Accounts and Sub-Accounts (except for the Program Expenses Account and the Rebate Account); provided, however, that any Sub-Account established within the Reserve Account for any Series of Bonds pursuant to a Supplemental Indenture shall only secure and be pledged to the payment of such Series of Bonds unless otherwise provided in said Supplemental Indenture and (iii) any and all other moneys, securities and property furnished from time to time to the Trustee by the City or on behalf of the City or by any other Persons to be held by the Trustee under the terms of the Indenture; provided, that the application of Pledged Revenues to the payment of debt service on any Junior Lien Obligations is expressly limited to the extent provided in the Indenture. The term "Pledged Revenues" means Incremental Taxes and any other revenues from any source whatsoever designated to pay principal of, premium, if any, or interest on the Bonds, including, without limitation, amounts on deposit in and pledged to various funds and accounts (other than the Program Expenses Account and the Rebate Account) as provided in the Indenture; together with interest earnings thereon. The Indenture provides that the Pledged Revenues and the other moneys, securities and properties hereby pledged shall immediately be subject to the lien and pledge without any physical delivery or further act and the lien and pledge shall be valid and binding as against all parties having claims of any kind on tort, contract or otherwise against the City, irrespective of whether such parties have notice.

Any Junior Lien Obligations shall be subordinate to the Bonds. See "— Incremental Taxes Fund — General Account" below.

The Indenture provides that all of the Pledged Revenues shall be set aside as collected and be deposited by the Treasurer in the Incremental Taxes Fund. The pledge is irrevocable until the obligations of the City are discharged under the Indenture. The final maturity of the Series 1999 Bonds is November 15, 2013, and it is anticipated that Incremental Taxes levied in 2012 and collectable in the fall of 2013 will be available to pay Outstanding Series 1999 Bonds at such final maturity on November 15, 2013. The Near South Project Area terminates on November 28, 2013, and there is no assurance the Trustee will receive Incremental Taxes collected after that date. See "BONDOWNER'S RISKS — Limited Source of Payment" herein.

Within the Incremental Taxes Fund, the following accounts will be established: the "Program Expenses Account," the "Principal and Interest Account," the "Reserve Account," the "Rebate Account" and the "General Account." Within the Reserve Account, a separate Sub-Account will be established for the Series 1999 Bonds. With the exception of the General Account, all of the accounts and sub-accounts within the Incremental Taxes Fund will be held by the Trustee. All moneys on deposit in such accounts and sub-accounts, other than the Program Expenses Account and the Rebate Account, are pledged to the payment of the Bonds.



## **Debt Service Reserve Requirements**

At the time of delivery of the Series 1999 Bonds, an amount of proceeds of the Series 1999A Bonds equal to 10 percent of the principal amount of the Series 1999A Bonds, together with other moneys of the City, shall be deposited into a Sub-Account of the Reserve Account established for the Series 1999 Bonds (the "1999 Reserve Sub-Account"). The amount required to be on deposit in the 1999 Reserve Sub-Account (the "Debt Service Reserve Requirement") shall be equal to the lesser of (i) 10 percent of the original principal amount of the Series 1999 Bonds, (ii) the Maximum Annual Debt Service Requirement, or (iii) 125 percent of the Average Annual Debt Service Requirement. Moneys on deposit in the 1999 Reserve Sub-Account shall be transferred to the Principal and Interest Account as may be necessary from time to time to prevent or remedy a default in the payment of principal of or interest on the Series 1999 Bonds. Amounts on deposit in such Sub-Account in excess of the Debt Service Reserve Requirement shall be transferred to the Principal and Interest Account and applied to the payment of principal of the Series 1999 Bonds.

## **Incremental Taxes Fund**

In accordance with the provisions of the Act and the Indenture, the Incremental Taxes are to be paid to the Treasurer by the officers who collect or receive the Incremental Taxes and then deposited into the Incremental Taxes Fund which is a trust fund established for the purpose of carrying out the covenants, terms and conditions imposed upon the City by the Indenture and the Ordinance, and any indenture or ordinance supplemental to the Indenture authorizing the issuance of Bonds. All Pledged Revenues, including Incremental Taxes, deposited in the Incremental Taxes Fund shall be transferred by the Treasurer to the Trustee for application by the Trustee in accordance with the Indenture. The money on deposit in the Incremental Taxes Fund shall be used by the City and the Trustee solely and only for the purpose of carrying out the terms and conditions of the Indenture and shall be deposited as provided in the Indenture to the separate accounts created by the Indenture within the Incremental Taxes Fund, to be known as the "Program Expenses Account," the "Principal and Interest Account," the "Reserve Account," the "General Account" and the "Rebate Account." The General Account shall be held by the City and all other accounts of the Incremental Taxes Fund shall be held by the Trustee, except as provided below. Under the Indenture, the City may, but is not required to, establish separate sub-accounts in the Reserve Account by an indenture or indentures supplemental to the Indenture authorizing the issuance of Bonds. As monies are deposited by the City into the Incremental Taxes Fund they shall be credited in the following order of priority:

*Program Expenses Account.* From Incremental Taxes first received by the Trustee, the Trustee shall credit to and shall deposit into the Program Expenses Account an amount of Incremental Taxes sufficient to pay Program Expenses, if any, for the next succeeding calendar year. The City shall provide to the Trustee information, calculations or estimates of Program Expenses for the next succeeding calendar year, and the Trustee may reasonably rely upon such information, calculations or estimates of such Program Expenses as necessary to determine the proper amount of such deposit into the Program Expenses Account. Amounts on deposit in the Program Expenses Account are not pledged to the payment of the Bonds. A portion of the proceeds of the Bonds may also be deposited into the Program Expenses Account and applied by Trustee to pay costs of issuance of such Bonds at the direction of the City.

*Principal and Interest Account.* The Trustee shall next transfer the balance of the Incremental Taxes into the Principal and Interest Account. Except as provided below, such moneys shall be used solely and only for the purpose of paying principal of and redemption premium, if any, and interest on the Bonds as the same become due.

On or before 30 days prior to each November 15, the Trustee shall determine the amount of Pledged Revenues to the credit of the Principal and Interest Account; provided, however, the Trustee shall determine the foregoing within 30 days of the receipt of the Incremental Taxes if such Incremental Taxes have not been received by, on or before that determination date. The Trustee shall determine the amount necessary to pay principal, interest, and redemption premium, if any, on the Bonds during the next succeeding calendar year after such date, which amount shall be set aside within the Principal and Interest Account for such purpose. Funds to the credit of the Principal and Interest Account in excess of such necessary amount shall first be transferred by the Trustee to the Reserve Account as provided below and shall next be paid by the Trustee to and credited by the Treasurer to the General Account as described below.

*Reserve Account.* The Trustee shall next transfer the balance of the Pledged Revenues into the Reserve Account until such account aggregates the Debt Service Reserve Requirement and thereafter no such payments

shall be made into that Account, except that when any money is paid out of that Account payments shall be resumed and continued until that Account has been restored to an aggregate amount equal to the Debt Service Reserve Requirement. The Debt Service Reserve Requirement and the schedule for fully funding the same shall be established in the applicable Supplemental Indenture. The Trustee shall value the investments in the Reserve Account and each Sub-Account thereof, if any, on the fifteenth Business Day preceding each May 15 and November 15, commencing May 15, 1999. In determining the value of the investments in the Reserve Account, and each Sub-Account thereof, such investments shall be valued at the market price of such investments or as otherwise provided in the Indenture.

Moneys on deposit in each Sub-Account of the Reserve Account shall be transferred to the Principal and Interest Account as may be necessary from time to time to prevent or remedy a default in the payment of interest or premium, if any, on or principal of the applicable Series of Bonds. Amounts in excess of the Debt Service Reserve Requirement on deposit in the Reserve Account, and each Sub-Account thereof, shall be transferred to the Principal and Interest Account and applied to the payment of principal and interest on the Bonds. Whenever a transfer to the Principal and Interest Account is made the Trustee shall, within thirty days of such transfer, give written notice of such transfer to the City and the Owners of the Bonds.

*General Account.* The Trustee shall next transfer the balance of any Incremental Taxes remaining after crediting the required amounts to the respective accounts described above to the Treasurer to be credited to the General Account. Moneys on deposit in the General Account shall be transferred by the Treasurer: first, if necessary, to remedy any deficiencies in any prior accounts in the Incremental Taxes Fund, including the Rebate Account, as determined by the Trustee; and, second, for one or more of the following purposes as directed by the Chief Financial Officer, without any priority among them:

- (i) for the purpose of paying any Project Costs; or
- (ii) for the purpose of redeeming Bonds; or
- (iii) for the purpose of purchasing Bonds at a price not in excess of par and accrued interest and applicable redemption premium to the date of purchase; or
- (iv) for the purpose of paying principal or interest of any Junior Lien Obligations; or
- (v) for the purpose of redeeming any Junior Lien Obligations; or
- (vi) for the purpose of purchasing any Junior Lien Obligations at a price not in excess of par and accrued interest and applicable redemption premium to the date of purchase; or
- (vii) for the purpose of financing or paying for Redevelopment Project Costs (as defined in the Act) arising in a redevelopment project area that is an adjacent redevelopment project area (as specified and in accordance with the Act); or
- (viii) for the purpose of distribution of such funds to the taxing districts or municipal corporations having the power to tax real property in the Near South Project Area in accordance with the Act.

Notwithstanding the foregoing, for so long as any Series 1999 Bonds are insured by Ambac Assurance, the City agrees not to withdraw monies from the General Account for the purposes set forth in (i) through (viii) above in an amount that will cause the Incremental Taxes expected to be generated from the most recently certified tax rolls, together with the monies retained on deposit in the General Account, to be less than 150% of the Maximum Annual Debt Service on those insured Series 1999 Bonds.

*Rebate Account.* There shall be deposited into the Rebate Account which is held by the Trustee, from the General Account as necessary, amounts necessary to fund the Rebate Account in anticipation of making required rebate payments to the United States in accordance with the provisions of the General Tax Certificate of the City delivered in connection with the issuance of the Series 1999 Bonds. The amount to be so deposited will

be certified to the Trustee from time to time by the City. All rebates, special impositions or taxes for such purpose payable to the United States of America (Internal Revenue Service) shall be payable from the Rebate Account. Amounts on deposit in the Rebate Account are not pledged to the payment of the Bonds.

*Investments.* (a) Moneys held in any Fund, Account or Sub-Account by the City, the Trustee or a Depository shall be invested and reinvested by the City at the written direction of an Authorized Officer in Investment Securities that mature no later than necessary to provide moneys when needed for payments to be made from such Fund, Account or Sub-Account; (b) moneys held in two or more Funds, Accounts or Sub-Accounts may be jointly invested in one or more Investment Securities, provided that such investment complies with all the terms and conditions relating to the investment of moneys in such Funds, Accounts or Sub-Accounts, as the case may be, and the City maintains books and records as to the allocation of such investment as among such Funds, Accounts or Sub-Accounts; (c) any earnings on investments held in the Reserve Account shall be credited to and held in the applicable Sub-Account of the Reserve Account so long as the balance of any Sub-Account is less than the Debt Service Reserve Requirement for such Sub-Account and next shall be transferred to the Principal and Interest Account. Investment income from investments held in the various Funds, Accounts and Sub-Accounts shall remain in and be a part of the respective Funds, Accounts and Sub-Accounts in which such investments are held, except as otherwise provided in the Indenture; and (d) notwithstanding any other provisions of the Indenture to the contrary, all investments made under the Indenture shall be consistent with the expectations expressed in any arbitrage certificate executed on behalf of the City and filed with the Trustee with respect to any Series of Bonds issued under the Indenture.

#### **Additional Bonds; Refunding Bonds; Junior Lien Obligations**

Subject to compliance with the conditions set forth in the Indenture, the City may issue Additional Bonds or Junior Lien Obligations for the purposes authorized in the Near South Redevelopment Plan or may issue Refunding Bonds. See "THE INDENTURE — Additional Bonds; Refunding Bonds; Junior Lien Obligations" herein. Except with respect to Sub-Accounts of the Reserve Account which secure particular Series of Bonds and as otherwise provided in the Indenture, any such Additional Bonds or Refunding Bonds will share ratably and equally with the Series 1999 Bonds in the Incremental Taxes and the funds and accounts established by the Indenture and shall not have any terms creating a preference or priority of any Series of Additional Bonds or Refunding Bonds over the Series 1999 Bonds or any other Series of Additional Bonds or Refunding Bonds.

With respect to all Series of Bonds, other than Refunding Bonds to the extent permitted by the Indenture as described under the caption "THE INDENTURE — Additional Bonds; Refunding Bonds; Junior Lien Obligations" herein, issued and delivered subsequent to the delivery of the Series 1999 Bonds, the City is required to deliver a certificate of an Authorized Officer:

- (i) setting forth the amount of the Pledged Revenues in the most recently ended Bond Year next preceding the date of issuance of such Bonds;
- (ii) setting forth for the current Bond Year and each Bond Year thereafter, the Annual Debt Service Requirement on account of all Bonds then Outstanding and the Bonds proposed to be issued;
- (iii) establishing that the amount shown in sub-paragraph (i) above shall be not less than 115 percent of the Average Annual Debt Service Requirement on account of all Bonds then Outstanding and the Bonds proposed to be issued; and
- (iv) stating that all required deposits to all funds, accounts and sub-accounts under the Indenture are current.

Notwithstanding the foregoing, for so long as any Series 1999 Bonds insured by Ambac Assurance remain outstanding, the requirement set forth in (iii) above shall be modified to require 150 percent of the Maximum Annual Debt Service Requirement on account of all Bonds then Outstanding and the Bonds proposed to be issued.

Any Junior Lien Obligations shall be subordinate to the Series 1999 Bonds and any Additional Bonds and Refunding Bonds and shall have the terms established in the supplemental indenture, resolution, ordinance or indenture

authorizing such issuance of Junior Lien Obligations. The City has no present plans to issue Additional Bonds, Refunding Bonds or Junior Lien Obligations, but may do so in the future.

## BOND INSURANCE

*The following information concerning Ambac Assurance Corporation has been provided by representatives of Ambac Assurance Corporation and has not been independently confirmed or verified by the City or the Underwriters. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material changes in such information subsequent to the date of such information or the date hereof. Summaries of or references to the insurance policy to be issued by Ambac Assurance Corporation are made subject to all the detailed provisions thereof to which reference is hereby made for further information and do not purport to be complete statements of any or all of such provisions.*

### The Bond Insurer

*General.* Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$3,200,000,000 (unaudited) and statutory capital of approximately \$1,815,000,000 (unaudited) as of September 30, 1998. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service and Fitch IBCA, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Bond Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the obligations.

Ambac Assurance makes no representation regarding the Series 1999 Bonds or the advisability of investing in the Series 1999 Bonds and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by Ambac Assurance and presented herein under the caption "BOND INSURANCE".

*Available Information.* The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York, 10004 and (212) 668-0340.

*Incorporation of Certain Documents by Reference.* The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

- 1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and filed on March 31, 1998;

- 2) The Company's Current Report on Form 8-K dated March 27, 1998 and filed on March 27, 1998;
- 3) The Company's Amendment to its Annual Report on Form 10K/A for the fiscal year ended December 31, 1997 and filed on March 31, 1998;
- 4) The Company's Quarterly Reports on Form 10-Q for the fiscal quarterly period ended March 31, 1998 and filed on May 15, 1998;
- 5) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 1998 and filed on August 14, 1998; and
- 6) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 1998 and filed on November 13, 1998.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

#### **Payment Pursuant to Municipal Bond Insurance Policy**

Ambac Assurance has made a commitment to issue a Bond Insurance Policy (the "Bond Insurance Policy") relating to the Series 1999 Bonds effective as of the date of issuance of the Series 1999 Bonds. Under the terms of the Bond Insurance Policy, Ambac Assurance will pay to the United States Trust Company of New York, in New York, New York or any successor thereto ("Insurance Trustee") that portion of the principal of and interest on the Series 1999 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City (as such terms are defined in the Bond Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 1999 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 1999 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 1999 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 1999 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 1999 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Series 1999 Bond which has become Due for Payment and which is made to a registered owner of a Series 1999 Bond by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Bond Insurance Policy does not insure any risk other than Nonpayment, as defined in the Bond Insurance Policy. Specifically, the Bond Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Bond Insurance Policy, payment of principal requires surrender of Series 1999 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 1999 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Bond Insurance Policy. Payment of interest pursuant to the Bond Insurance Policy requires proof of a registered owner's entitlement to interest payments and an appropriate assignment of the registered owner's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 1999 Bond, appurtenant coupons, if any, or right to payment of principal or interest on such Series 1999 Bond and will be fully subrogated to the surrendering registered owner's rights to payment.

### **BONDOWNER'S RISKS**

The following is a summary of some of the risks that may affect the security for the Series 1999 Bonds. The following summary is not intended to be complete and does not purport to identify all possible risks that should be considered by prospective purchasers of Series 1999 Bonds. For a further discussion of risks, see the Report of Trkla, Pettigrew, Allen & Payne, the consulting firm engaged by the City (the "Consultant"), attached hereto as APPENDIX B.

#### **Limited Source of Payment**

The Series 1999 Bonds are limited obligations of the City, payable solely from Pledged Revenues set aside in the Incremental Taxes Fund, consisting primarily of Incremental Taxes derived by the City from the Near South Project Area. The Series 1999 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation. No owner of the Series 1999 Bonds will have the right to compel the exercise of any taxing power of the City, the State or any other political subdivision thereof for payment of the principal of, or interest or premium, if any, on the Series 1999 Bonds. The Series 1999A Bonds and the Series 1999B Bonds are issued on a parity basis with each other. Additional Bonds and Refunding Bonds, payable and secured on a parity basis with the Series 1999 Bonds, may be issued in the future. The Near South Project Area will terminate on November 28, 2013, and there is no assurance that Incremental Taxes collected after that date will be available for payment of the Series 1999 Bonds. See "SECURITY FOR THE SERIES 1999 BONDS — Pledge of Pledged Revenues" herein.

#### **Assumptions in Consultant's Projections**

The Consultant has prepared an estimate of Incremental Taxes to be collected annually from the Near South Project Area during the period the Series 1999 Bonds will be outstanding (the "Consultant's Report"). The Consultant's Report is attached as APPENDIX B; it is based on numerous assumptions set forth therein which are material to the estimates of Incremental Taxes to be collected. One of the Consultant's important assumptions is that none of the risks enumerated in the Consultant's Report will occur; the occurrence of any one or more of such enumerated risks could adversely affect the receipt of Incremental Taxes. Certain of such enumerated risks are summarized in the following subsections. The City has not independently verified the projections of Incremental Taxes contained in the Consultant's Report.

#### **Economic Risks Affecting Incremental Taxes**

Future collections of Incremental Taxes could be adversely affected by a number of economic factors not within the City's control resulting in reductions in Incremental Taxes available to pay debt service on the Series 1999 Bonds. Relocations of major property owners to sites outside the Near South Project Area or sales of major properties to tax-exempt entities could reduce the Assessed Valuation (as hereinafter defined) of the Near South Project Area. Substantial damage to or destruction of improvements within the Near South Project Area could cause a material decline in Assessed Valuation as defined in "REAL PROPERTY TAX SYSTEMS AND LIMITS — Real Property Assessment, Tax Levy and Collection Procedures" herein and impair the ability of the taxpayers in the Near South Project Area to pay their respective portions of real estate taxes. There can be no assurance that the improvements in the Near South Project Area are or will be insured under fire and extended coverage insurance policies, and, even if such insurance exists, the proceeds thereof will not be assigned as security for the payment of real estate taxes or to secure payment of the Series 1999 Bonds. In addition, any

insurance proceeds may not be sufficient to repair or rebuild the improvements. The restoration of the improvements may be delayed by other factors, or the terms of then-applicable mortgage financing could require the application of insurance proceeds to the reduction of mortgage balances. Any of the foregoing circumstances could result in the Assessed Valuation of property in the Near South Project Area remaining depressed for an unknown period of time and decrease the amount of Incremental Taxes available to pay debt service on the Series 1999 Bonds.

No market feasibility study has been performed to determine the real estate market values or conditions that exist in the Near South Project Area. Results of operation of properties within the Near South Project Area depend, in part, on the rental rates and tenant occupancy levels, which may be adversely affected by competition, suitability of the Near South Project Area in its local market, local unemployment, availability of transportation, neighborhood changes, crime levels in the Near South Project Area, vandalism, rising operating costs and similar factors. Poor operating results of properties within the Near South Project Area may cause delinquencies in the payment of real estate taxes, reduce Assessed Valuations and increase the risk of foreclosures. Successful petitions by taxpayers to reduce their Assessed Valuations on the basis of poor operating results or otherwise could adversely affect Incremental Taxes available for payment of the Series 1999 Bonds.

### **Changes in Multiplier and Tax Rates**

The multiplier may vary substantially in future years. (See "REAL PROPERTY TAX SYSTEMS AND LIMITS — Real Property Assessment, Tax Levy and Collection Procedures — Equalization" herein.) A decrease in the multiplier would reduce the equalized assessed value of the taxable real property in the Near South Project Area and, therefore, the Incremental Taxes available to pay debt service on the Series 1999 Bonds. The future tax rates of the units of local government levying taxes in the Near South Project Area (the "Units"), either individually or on a composite basis, may differ from their historical levels. Any decrease in the composite tax rate of the Units would decrease the amount of Incremental Taxes available to pay debt service on the Series 1999 Bonds. Any decrease in the composite tax rate of the Units could occur in future years as a result of various factors, including, but not limited to, one or more of the following: (a) reduced governmental costs; (b) constitutional or statutory spending or tax rate limitations; or (c) governmental reorganization or consolidation. See also "REAL PROPERTY TAX SYSTEMS AND LIMITS — Property Tax Limits" herein.

### **Changes in Law**

In recent years, a number of states have enacted legislation significantly reducing the reliance of local governmental units on real property taxes. Illinois has not taken such action, but in the spring 1997 session of the Illinois General Assembly, a bill was passed by the House of Representatives which would have reduced real property taxes for local school districts. The bill (the "1997 Bill") was supported by the Governor and would have created the Local Option Property Tax Reduction Act. The 1997 Bill would have authorized school districts by referendum to impose an income tax on corporations and individual residents in the district at an annual rate not exceeding two percent. The 1997 Bill would have required the income tax revenues disbursed to a district each year to be used to abate the real property taxes levied that year by the district.

Such a school tax abatement would have reduced the tax levy amount that could be extended to property in a redevelopment project area and, consequently, would have reduced the incremental taxes generated in that area. Although the 1997 Bill was passed by the House of Representatives and supported by the Governor, it was defeated on a third reading in the Senate.

In the spring 1998 session of the Illinois General Assembly, a bill was introduced by the House of Representatives (the "1998 Bill") which would have reduced real property taxes for local school districts. The 1998 Bill would have replaced a portion of the property taxes levied by school districts on homestead and farmland property ("Eligible Property") with distributions from the newly created Property Tax Relief Fund (the "PTR Fund"). The PTR Fund would have been funded annually by an amount equal to 25 percent of the projected revenue growth in the State's general funds. Under the 1998 Bill, each school district in the State would have received an annual distribution from the PTR Fund. The amount of such distribution would have been based on the amount of real property tax extended with respect to Eligible Property by such school district, as a percentage of the total amount of real property tax extended with respect to Eligible Property by all school districts in the State. A school tax abatement rate with respect to Eligible Property in each school district would have been determined by dividing the amount distributed to such school district from the PTR Fund by the equalized assessed

valuation of all Eligible Property taxed by such school district. The amount of school tax abatement with respect to any individual parcel of Eligible Property would have been determined by multiplying the extension for the school district with respect to such parcel by the abatement rate. The 1998 Bill was referred to the House Committee on Rules on February 10, 1998.

In addition, the Illinois General Assembly has from time to time considered, and during the last legislative session which adjourned in January of 1999 had under consideration, legislation that proposed to amend the Act. In the spring of 1997, the House of Representatives passed House Bill 525 ("HB 525") which contained several proposed changes to the Act. The Senate passed HB 525 in an amended form. The House of Representatives did not concur with the Senate's amendment and the legislative session adjourned without further consideration of HB 525.

Certain of the changes contemplated by both the House of Representatives and Senate versions of HB 525 were intended to apply to redevelopment project areas which, like the Near South Project Area, were created prior to the enactment of the proposed legislation. These proposed changes included the imposition of additional procedural requirements in order to amend an existing redevelopment plan and amendments to the definition of the types of costs that, in the future, may be paid for by tax increment funds. Amendments to the definition of costs include adding restrictions to the use of funds for administrative expenses and the use of funds for public buildings. In addition, the Senate version of HB 525 would have required the City to comply with annual reporting requirements for all of its redevelopment project areas.

There can be no assurance that a bill similar to those described above will not become law in a future legislative session. Enactment of a law abating school taxes on commercial property could have a material adverse effect on Incremental Taxes generated in the Near South Project Area and available to pay debt service on the Series 1999 Bonds. Similarly, other future changes in law reducing governmental reliance on real property taxes or amending the Act could adversely affect the amount of Incremental Taxes collected by the City, and any such adverse effect may be material.

#### **Transfer of Amounts from Incremental Taxes Fund**

The Near South Project Area is contiguous with other redevelopment project areas designated by the City pursuant to the Act and may become contiguous with others. The Act allows the City to expend Incremental Taxes collected from the Near South Project Area which are in excess of the amounts required in each year to pay and secure obligations issued and project costs incurred with respect to the Near South Project Area to pay for costs eligible for payment under the Act which are incurred in such contiguous areas. Under the current Near South Redevelopment Plan, the City has not provided for any such use of excess Incremental Taxes, nor has it provided for a similar allocation to the Near South Project Area of excess incremental taxes from any contiguous redevelopment project area. However, the City expects to seek to amend the Near South Redevelopment Plan to provide for such allocations. Such amendment may be accomplished only by following the Act's requirements for the initial adoption of the Near South Project Area Redevelopment Plan. In the event Incremental Taxes from the Near South Project Area in excess of the amounts required to pay principal and interest coming due on the Series 1999 Bonds in any year are allocated to a contiguous redevelopment project area, such Incremental Taxes will not be available to remedy any future failure to pay principal of and interest on the Series 1999 Bonds or any deficiency in the required balances in the accounts within the Incremental Taxes Fund.

#### **Year 2000 Readiness Disclosure**

*The information set forth under this caption regarding the Trustee, DTC and the City has been furnished by the Trustee, DTC and the City, respectively. Neither the City nor the Underwriters take responsibility for the accuracy or completeness of the information regarding the Trustee or the DTC, and the Underwriters take no responsibility for information regarding the City.*

*The City.* 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 or microprocessors are modified or replaced prior to the year 2000, they may not function properly after 1999.

The City completed an inventory and assessment of mainframe software in November 1996. The citywide network, including communications devices, personal computers, servers and software, also has been inventoried and assessed for compliance. The mainframe and server software have been evaluated to determine whether adverse effects



might be encountered before January 2000. Many systems were slated for replacement rather than renovation. Based on this input, the City began renovating its general ledger and purchasing systems in the fall of 1997, with testing expected to be completed by the end of the first quarter of 1999. Mission critical applications have been identified and are planned for remediation by the end of the first quarter of 1999. Testing will occur throughout 1999.

The City allocated funds in the amount of \$28.2 million in 1998 for repair or replacement of Year-2000 compromised systems and approximately \$32.0 million is proposed for 1999. Renovation or replacement of all comprised systems is planned by September 1999. The City plans to use outside vendors for the test plan development and audit phases, as well as to upgrade certain software programs.

An executive committee, formed in May 1998, began assessing citywide impacts. A preliminary inventory of embedded systems was completed in July 1998. Baseline assessment of mission critical functions involving embedded systems is planned for completion by the end of the first quarter 1999. The City is retaining outside consultants to manage and implement the embedded systems remediation efforts. City suppliers, such as electric and telecommunications companies, will be tracked for compliance by this committee. Contingency planning for mission critical systems is scheduled to be completed by the end of June 1999.

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 and the Trustee each successfully addresses its respective 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 cannot determine the potential impact of such noncompliance on its business, financial condition or results of its operations.

*The Trustee.* The Trustee has advised the City that (i) it began planning for its Year 2000 conversion project in 1996 and that assessment activities occurred during 1996 and 1997, and (ii) it currently is in the process of renovating and testing its systems, with a goal of having a complete year of testing before January 1, 2000.

*DTC.* DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to security holders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to (i) impress upon them the importance of such services being Year 2000 compliant and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows:

	<u>Series 1999A</u> <u>Bonds</u>	<u>Series 1999B</u> <u>Bonds</u>	<u>Existing</u> <u>Funds</u>
<i>Sources of Funds</i>			
Proceeds of Series 1999 Bonds .....	\$42,500,000	\$7,500,000	\$ -0-
Net Original Issue Premium/(Discount) .....	1,133,997	(2,298)	-0-
Accrued Interest .....	182,082	37,034	-0-
Transfer of Existing Funds .....	-0-	-0-	<u>12,018,502</u>
Total Sources .....	<u>\$43,816,079</u>	<u>\$7,534,736</u>	<u>\$12,018,502</u>
 <i>Uses of Funds</i>			
Refunding of Series 1994 Bonds .....	\$18,995,615	\$ -0-	\$ 10,269,245
Project Costs .....	19,020,339	6,539,105	1,749,257 <sup>(1)</sup>
Deposit to 1999 Reserve Sub-Account .....	4,250,000	750,000	-0-
Deposit to Principal and Interest Account of Incremental Taxes Fund .....	573,835	116,713	-0-
Bond Insurance Premium .....	493,474	64,343	-0-
Issuance Costs <sup>(2)</sup> .....	<u>482,816</u>	<u>64,575</u>	<u>-0-</u>
Total Uses .....	<u>\$43,816,079</u>	<u>\$7,534,736</u>	<u>\$12,018,502</u>

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<sup>(1)</sup> The City expects to apply \$1,500,000 to fund project costs in an adjacent tax increment financing district upon the amendment of the Near South Redevelopment Plan, as defined in the Consultant's Report. Such amount will not be directly invested in the Near South Project Area and, accordingly, cannot be expected to have the same ability to generate taxes in the Near South Project Area as moneys directly invested in projects and improvements located in the Near South Project Area. See "BONDOWNER'S RISKS — Transfer of Amounts from Incremental Taxes Fund" herein.

<sup>(2)</sup> Issuance Costs include the Underwriters' Discount.

## DEBT SERVICE COVERAGE

The table below is based on certain information derived from the Consultant's Report attached to this Official Statement as APPENDIX B and on certain assumptions of the Underwriters, as referenced in the footnotes to the table. The City has not independently verified the information contained in the Consultant's Report.

Year Ending November 15	Estimated Incremental Taxes(1)	Estimated 1999 Reserve Sub-Account Cash Flow(2)	Program Expenses	Estimated Amounts Available for Debt Service	Total Annual Debt Service	Estimated Debt Service Coverage(3)
1999	\$6,788,000	\$157,003	\$20,000	\$6,925,003	\$4,500,726	1.54x
2000	7,870,000	225,615	20,000	8,075,615	4,499,378	1.79x
2001	8,851,000	225,615	20,000	9,056,615	4,498,148	2.01x
2002	9,261,000	225,615	20,000	9,466,615	4,501,890	2.10x
2003	9,261,000	225,615	20,000	9,466,615	4,502,353	2.10x
2004	10,088,000	225,615	20,000	10,293,615	4,500,128	2.29x
2005	10,555,000	225,615	20,000	10,760,615	4,501,328	2.39x
2006	10,555,000	225,615	20,000	10,760,615	4,499,828	2.39x
2007	11,400,000	225,615	20,000	11,605,615	4,501,328	2.58x
2008	11,927,000	225,615	20,000	12,132,615	4,500,328	2.70x
2009	11,927,000	225,615	20,000	12,132,615	4,502,778	2.69x
2010	12,793,000	225,615	20,000	12,998,615	4,502,640	2.89x
2011	13,384,000	225,615	20,000	13,589,615	4,499,640	3.02x
2012	13,384,000	225,615	20,000	13,589,615	4,502,890	3.02x
2013	<u>14,270,000</u>	<u>5,225,615</u>	<u>20,000</u>	<u>19,475,615</u>	<u>8,501,640</u>	2.29x
<b>Totals</b>	<u>\$162,314,000</u>	<u>\$8,315,612</u>	<u>\$300,000</u>	<u>\$170,329,612</u>	<u>\$71,515,019</u>	

- (1) Based on estimated future tax rates as set forth in Table 9 of the Consultant's Report.
- (2) Earnings on 1999 Reserve Sub-Account estimated at 4.5123 percent per annum. An amount equal to ten percent (10%) of the aggregate principal amount of the Series 1999 Bonds will be deposited in the 1999 Reserve Sub-Account on the date of issuance of the Series 1999 Bonds. Amounts on deposit in the 1999 Reserve Sub-Account are assumed to be made available to pay debt service on the final maturity of the Series 1999A Bonds.
- (3) Estimated Debt Service Coverage is Estimated Amounts Available for Debt Service divided by the Total Annual Debt Service.

## SERIES 1999 BONDS DEBT SERVICE

The table below sets forth the total annual debt service requirements for the Series 1999 Bonds.

Year Ending <u>November 15</u>	<u>Series 1999A Bonds</u>		<u>Series 1999B Bonds</u>		Total Debt <u>Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
1999	\$	\$1,567,011.42	\$2,615,000	\$318,715.06	\$4,500,726.48
2000		1,986,352.50	2,245,000	268,025.00	4,499,377.50
2001		1,986,352.50	2,365,000	146,795.00	4,498,147.50
2002	2,225,000	1,986,352.50	275,000	15,537.50	4,501,890.00
2003	2,605,000	1,897,352.50			4,502,352.50
2004	2,720,000	1,780,127.50			4,500,127.50
2005	2,830,000	1,671,327.50			4,501,327.50
2006	2,970,000	1,529,827.50			4,499,827.50
2007	3,120,000	1,381,327.50			4,501,327.50
2008	3,275,000	1,225,327.50			4,500,327.50
2009	3,415,000	1,087,777.50			4,502,777.50
2010	3,560,000	942,640.00			4,502,640.00
2011	3,735,000	764,640.00			4,499,640.00
2012	3,925,000	577,890.00			4,502,890.00
2013	8,120,000	381,640.00			8,501,640.00

## FINANCIAL INFORMATION

A summary of unaudited Incremental Tax receipts for the Near South Project Area for the years ended December 31, 1993 through December 31, 1998 is set forth below. The City will provide audited financial statements prepared in accordance with generally accepted accounting principles for the Near South Project Area for the year ending December 31, 1998 and each subsequent fiscal year. See "SECONDARY MARKET DISCLOSURE" herein.

### Summary of Incremental Tax Receipts for Near South Project Area<sup>(1)</sup>

<u>Assessment/Levy Year</u>	<u>Collection Year</u>	<u>Total Receipts<sup>(2)</sup></u>
1992	1993	\$ 826,838
1993	1994	859,473
1994	1995	2,035,088
1995	1996	2,768,859
1996	1997	3,679,857
1997	1998	5,561,080

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Source: Office of the City Comptroller

<sup>(1)</sup> For Assessment Years 1992 through 1994 and Collection Years 1993 through 1995, the Total Receipts represent amounts received from the Original Project Area only.

<sup>(2)</sup> Actual receipts during each collection year.

## TAX INCREMENT FINANCING

The Act authorizes the use of tax increment financing as a means for municipalities, after the approval of a "redevelopment plan and project," to redevelop "blighted," "conservation" or "industrial park conservation" areas by financing redevelopment costs with incremental real estate tax revenues. Incremental real estate tax revenue is derived from the increase in the equalized assessed valuation of real property within the redevelopment area over and above the equalized assessed valuation in effect at the time the redevelopment area is established. Any such increase in equalized assessed valuation above the certified initial equalized assessed valuation is then multiplied, on an annual basis, by the aggregate tax rate resulting from the levy of real property taxes by all units of local government having taxing power over that real property. The product of this calculation, net of loss in collection, is the amount of incremental real estate tax revenues generated within the redevelopment area. For additional information, see "REAL PROPERTY TAX SYSTEMS AND LIMITS" herein.

Tax increment financing does not generate revenues by increasing tax rates. Instead, it generates revenues by allowing a municipality to capture all revenues resulting from increases in the equalized assessed valuation within the area which has been designated for redevelopment. The incremental real estate tax revenue is deposited into a special tax allocation fund from which redevelopment project costs and principal of and interest on obligations issued to finance redevelopment project costs are paid. Under tax increment financing, all overlapping taxing districts continue to receive real estate tax revenue based on the certified initial equalized assessed valuation. When the amount of incremental real estate tax revenue applicable to the redevelopment project area is greater than the amount required to pay for expected redevelopment project costs and principal of and interest on obligations issued to pay such costs, the municipality is required to return such money to the county for distribution to the overlapping taxing districts. If a redevelopment plan and project so provides, a municipality may use incremental real estate tax revenue for eligible costs in a contiguous redevelopment project area or one separated only by a public right of way. See "BONDOWNER'S RISKS — Transfer of Amounts from Incremental Taxes Fund" herein.

To finance redevelopment project costs, a municipality may issue obligations secured by the anticipated tax increment revenue generated within the redevelopment project area. These redevelopment project costs include, but are not limited to, costs of studies and surveys, costs associated with the acquisition of land, costs of rehabilitation or repair of existing public or private buildings, costs of construction of public works or improvements, costs of job training and retraining programs and financing costs. Subject to certain limitations, tax increment financing may also apply to certain interest costs incurred by the redeveloper of a project.

For an area to be designated as a tax increment financing redevelopment project area, a municipality must demonstrate that the prospective redevelopment project area qualifies as a "blighted area", as a "conservation area" or as an "industrial park" within the definitions set forth in the Act. A "blighted area" may be either improved or vacant. If the area is improved, five or more of the following factors must be present: age, dilapidation, obsolescence, deterioration, illegal use of individual structures, structures below minimum code standards, excessive vacancies, overcrowding of structures and community facilities, lack of ventilation, light or sanitary facilities, inadequate utilities, excess land coverage, deleterious land-use or lay-out, depreciation of physical maintenance or lack of community facilities. If the area is vacant, the municipality must find that the sound growth of the taxing districts is impaired by a combination of two or more of the following factors: obsolete platting, diversity of ownership, tax and special assessment delinquencies, flooding, deterioration of site structures or improvements on adjacent land; otherwise it must be demonstrated that such vacant land was a blighted improved area immediately before becoming vacant, or the area consists of an unused quarry, railyard railtracks or railroad rights of way, or is subject to chronic flooding as particularly provided in the Act, or the area consists of an unused disposal site, containing earth, stone, building debris or similar material, which were not removed from construction, demolition, excavation, or dredge sites, or the area is not less than 50 nor more than 100 acres and 75 percent of which is vacant. A "conservation area" is any improved area within the boundaries of a redevelopment project area in which 50 percent or more of the structures have an age of 35 years or more. Such an area is not yet a blighted area but is in danger of becoming a blighted area and is detrimental to the public safety, health, morals or welfare because of a combination of three 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, lack of community planning.

Before adopting the necessary ordinances to create a redevelopment project area, a municipality must hold a public hearing and convene an advisory joint review board to consider the proposal. The joint review board consists of representatives selected by certain taxing districts having taxing power over the area, and a member of the public. After the municipality has considered all comments made by the public and the joint review board, if any, it may adopt the necessary ordinances to create a redevelopment project area but only after adopting an ordinance approving a redevelopment plan. Then the municipality may adopt an ordinance approving tax increment allocation financing.

## **NEAR SOUTH PROJECT AREA**

### **General**

On November 28, 1990, the City adopted the Central Station Area Tax Increment Financing Redevelopment Project and Plan (the "Original Area Redevelopment Plan") which provided for the redevelopment of approximately 127 acres located south of the Chicago Loop and generally bounded on the north by 11th Street, on the south by Cullerton Street, on the east by the southbound lanes of Lake Shore Drive, and on the west by Michigan Avenue (between 11th and 14th Streets), Indiana Avenue (between 14th and 16th Streets), and the Illinois Central Railroad right-of-way (between 16th and Cullerton Streets) (the "Original Project Area").

On August 3, 1994, the City adopted the Near South Tax Increment Financing Redevelopment Project and Plan (the "Near South Redevelopment Plan"), which incorporates and replaces the Original Area Redevelopment Plan, to provide for the continued redevelopment of the Original Project Area and the redevelopment of approximately 248 additional acres (the "Added Project Area"). The Original Project Area and the Added Project Area together constitute the Near South Project Area.

The Original and the Near South Redevelopment Project and Plans were adopted to overcome conditions of blight and obsolescence found throughout the approximately 375 acres contained within the Near South Project Area and to improve the economic and physical well-being of the City.

The Near South Project Area is generally located immediately south of Chicago's Loop business district; directly west of Lake Shore Drive, the Museum Campus containing the Field Museum of Natural History, John G. Shedd Aquarium, Adler Planetarium and Soldier Field; and immediately north and west of the McCormick Place Exposition facilities.

### **Improvements and Projects**

Since 1990, many of the major redevelopment activities identified in the Original Area Redevelopment Plan and the Near South Redevelopment Plan have been implemented. Significant public improvements (generally consisting of the construction of new roadways, sewers and parks) and new developments were completed, replacing the vacant railroad property that led to the formation of, and served as the basis for, the Original Project Area. The redevelopment efforts undertaken in the Original Project Area spread into the adjacent Added Project Area. Numerous deteriorated and abandoned warehouse and commercial buildings were converted into residential developments. New buildings were constructed on the scattered vacant sites present throughout the Near South Project Area.

The construction of these public improvements facilitated the construction of various private development projects. In summary, there are 17 completed residential private developments which include a total of 1,100 residential units. In addition, there are 16 projects under development which, when completed, are expected to include 894 residential units. See the Consultant's Report attached hereto as APPENDIX B for a detailed description of public and private improvements in the Near South Project Area.

## **REAL PROPERTY TAX SYSTEMS AND LIMITS**

### **Real Property Assessment, Tax Levy and Collection Procedures**

Substantially all (approximately 99.97 percent) of the "Equalized Assessed Valuation" (described below) of taxable property in the City is located in Cook County (the "County"). The remainder is located in DuPage County.

Accordingly, unless otherwise indicated, the information set forth under this caption and elsewhere in this Official Statement with respect to taxable property in the City does not reflect the portion situated in DuPage County. The Illinois laws relating to real property taxation are contained in the Illinois Property Tax Code (the "Property Tax Code").

*Assessment.* The Cook County Assessor (the "Assessor") is responsible for the assessment of all taxable real property within the County, except for certain railroad property and pollution control equipment assessed directly by the State of Illinois (the "State"). One-third of the real property in Cook County (the "County") is reassessed each year on a repeating triennial schedule established by the Assessor. The City was reassessed in 1997; suburbs in the west and southern portions of the County were reassessed in 1998; and suburbs in the northern and northwestern portions of the County were reassessed in 1996.

Real property in the County is separated into nine classifications for assessment purposes. After the Assessor establishes the fair cash value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (the "Assessed Valuation") for the parcel. The current classification percentages range from 16 percent for certain residential, commercial and industrial properties to 36 percent and 38 percent, respectively, for other industrial and commercial property.

The Assessor has established procedures enabling taxpayers to contest their Assessed Valuations. Once the Assessor certifies final Assessed Valuations, a taxpayer can seek review of its assessment through a process that has been modified as a result of recently enacted amendments (the "Amendments") to the Property Tax Code. Prior to January 1, 1996, a taxpayer generally was required to seek a review of its assessment by filing a complaint with the Cook County Board of Appeals, from which there was generally no further appeal. However, pursuant to the Amendments, the Cook County Board of Appeals was replaced on December 4, 1998 by a Board of Review with three members elected by the voters of Cook County at the General Election in November 1998. The Board of Review has powers similar to, but somewhat broader than, those previously vested in the Board of Appeals to review and adjust Assessed Valuations set by the Assessor.

The Amendments also provide that beginning with assessments for the year 1996, owners of residential property having six or fewer units will be able to appeal decisions of the Board of Appeals or the Board of Review to the Illinois Property Tax Appeal Board (the "PTAB"), a state-wide administrative body. Owners of real estate other than residential property with six or fewer units will be able to appeal Assessed Valuations to the PTAB beginning with assessments made for the 1997 year. The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Taxpayers may appeal decisions of the PTAB to either the Circuit Court of Cook County or the Illinois Appellate Court under the Illinois Administrative Review Law.

As an alternative to seeking review of Assessed Valuations by the PTAB, taxpayers who have first exhausted their remedies before the Board of Appeals or the Board of Review may file an objection in the Circuit Court of Cook County similar to the previous judicial review procedure but with a different standard of proof than that previously required. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct the Assessed Valuation, and thus reduce the amount of taxes due, by issuing a certificate of error.

*Equalization.* After the Assessed Valuation for each parcel of real estate in a county has been determined for a given year (including any revisions made by the Board of Appeals or the Board of Review), the Illinois Department of Revenue reviews the assessments and determines an equalization factor (the "Equalization Factor"), commonly called the "multiplier," for each county. The purpose of equalization is to bring the aggregate assessed value of all real estate in each county to the statutory requirement of 33-1/3 percent of estimated fair cash value. Adjustments in Assessed Valuation made by the PTAB or the courts are not reflected in the Equalization Factor. For tax year 1997, the Equalization Factor for the County was 2.1489. The Assessed Valuation of each parcel of real estate in the County is multiplied by the County's Equalization Factor to determine the parcel's equalized assessed valuation (the "Equalized Assessed Valuation").

The Equalized Assessed Valuation for each parcel is the final property valuation used for determination of tax liability. The aggregate Equalized Assessed Valuation for all parcels in any taxing body's jurisdiction, after reduction for all applicable exemptions, plus the valuation of property assessed directly by the State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the "Assessment Base"). The Equalization Factor for a given year is used in computing the taxes extended for collection in the following year. The following table sets forth the Equalization Factors for the tax years ended December 31, 1987, through 1997:



<u>Tax Year</u>	<u>Equalization Factor</u>
1987	1.8916
1988	1.9266
1989	1.9133
1990	1.9946
1991	2.0523
1992	2.0897
1993	2.1407
1994	2.1135
1995	2.1243
1996	2.1517
1997	2.1489

In 1991, legislation was enacted by the State providing that for 1992 and for subsequent years' tax levies, the Equalized Assessed Valuation used to determine any applicable tax limits is the one for the immediately preceding year and not the current year. This legislation impacts taxing districts with rate limits only and does not apply to the City. See "Property Tax Limits" below.

*Exemptions.* The annual homestead exemption provides for the reduction of the Equalized Assessed Valuation of certain property owned and used exclusively for residential purposes by the amount of any increase over the 1977 Equalized Assessed Valuation, up to a maximum reduction of \$4,500. Additional exemptions exist for (i) senior citizens, with the Assessor authorized annually to reduce the Equalized Assessed Valuation on a senior citizen's home by \$2,500, and (ii) disabled veterans, with the Assessor authorized annually to exempt up to \$50,000 of the Assessed Valuation of certain property owned and used exclusively by such veterans or their spouses for residential purposes. A homestead improvement exemption allows owners of single family residences to make up to \$30,000 or \$45,000 beginning January 1, 1998 in home improvements without increasing the Assessed Valuation of their property for at least four years. For rehabilitation of certain historic property, the Equalized Assessed Valuation is limited for eight years to the value when the rehabilitation work began. The Senior Citizens Tax Freeze Homestead Exemption was enacted in 1994 and freezes property tax assessments for homeowners who are 65 and older and have annual incomes of \$35,000 or less. In addition, certain property is exempt from taxation on the basis of its ownership and/or use.

*Tax Levy.* There are over 800 units of local government (the "Units") located in whole or in part in the County which have taxing power. The major Units having taxing power over property within the City are the City, the Chicago Park District, the Chicago Board of Education, the Chicago School Finance Authority, Community College District No. 508, the Metropolitan Water Reclamation District of Greater Chicago, the County and the Forest Preserve District of Cook County.

As part of the annual budgetary process of the Units, each year in which the determination is made to levy real estate taxes, proceedings are adopted by the designated body for each Unit. The tax levy proceedings impose the Units' respective real estate taxes in terms of a dollar amount. Each Unit certifies its real estate tax levy, as established by the proceedings, to the County Clerk's Office. The remaining administration and collection of the real estate taxes is statutorily assigned to the County Clerk and the County Treasurer, who is also the County Collector (the "County Collector").

After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit by dividing the levy of each Unit by the Assessment Base of the respective Unit. If any tax rate thus calculated or any component of such a tax rate (such as a levy for a particular fund) exceeds any applicable statutory rate limit, the County Clerk disregards the excessive rate and applies the maximum rate permitted by law.

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all the Units having jurisdiction over the particular parcel. The County Clerk enters in the books prepared by the County Collector (the "Warrant Books") the tax (determined by multiplying that total tax rate by the Equalized Assessed Valuation of that parcel), along with the tax rates, the Assessed Valuation and the Equalized Assessed Valuation. The Warrant Books are the County Collector's authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

The Truth in Taxation Law (the "Truth in Taxation Law") contained within the Property Tax Code, imposes procedural limitations on a Unit's real estate taxing powers and requires that notice in prescribed form must be published if the aggregate annual levy is estimated to exceed 105 percent of the levy of the preceding year, exclusive of levies for debt service and election costs and public building commission leases. A public hearing must also be held, which may not be in conjunction with the budget hearing of the Unit on the adoption of the annual levy. No amount in excess of 105 percent of the preceding year's levy may be used as the basis for issuing tax bills to property owners unless the levy is accompanied by certification of compliance with the foregoing procedures. As of the date of this Official Statement, the City is in compliance with the Truth in Taxation Law.

The City is authorized to issue tax increment bonds for the redevelopment of vacant or blighted areas. Tax revenues resulting from increases in the Equalized Assessed Valuation of property in a redevelopment area are pledged for the payment of the tax increment bonds. Taxes levied for other purposes are extended at rates which take the tax increment financing into account. See "TAX INCREMENT FINANCING" herein.

*Collection.* Property taxes are collected by the County Collector who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill equal to one-half of the prior year's tax bill. The second installment is for the balance of the current year's tax bill, and is based on the current levy, assessed value and Equalization Factor and applicable tax rates, and reflects any changes from the prior year in those factors. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

The County may provide for tax bills to be payable in four installments instead of two. The County has not determined to require payment of tax bills in four installments.

During the periods of peak collections, tax receipts are forwarded to each Unit weekly. Upon receipt of taxes from the County Collector, the City Treasurer credits the taxes received to the funds for which they were levied. Notwithstanding the foregoing, the County Collector distributes tax increment revenue to the City in a single payment in the fall of each year.

At the end of each collection year, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court order resulting from the application for judgment provides for an annual sale of all unpaid taxes shown on the year's Warrant Books (the "Annual Tax Sale"). The Annual Tax Sale is a public sale, at which time successful tax buyers pay the unpaid taxes plus penalties. Unpaid taxes accrue penalties at the rate of 1.5 percent per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus a maximum of 18 percent for each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and one-half years depending on the type and occupancy of the property) and the tax buyer files a petition in Circuit Court, notifying the necessary parties in accordance with applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and are eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes and interest to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale.

A scavenger sale (the "Scavenger Sale"), like the Annual Tax Sale, is a sale of unpaid taxes. The Scavenger Sale is scheduled to be held every two years on all property on which two or more years' taxes are delinquent. The sale price of unpaid taxes is the amount bid at the Scavenger Sale, which may be less than the amount of the delinquent taxes. Redemption periods vary from six months to two and one-half years depending upon the type and occupancy of the property.

### **Property Tax Limits**

*State of Illinois.* The Property Tax Code limits (a) the amount of property taxes that can be extended for the counties that are contiguous to the County and certain non-home rule taxing districts located in those counties and (b) the ability of those counties and taxing districts to issue general obligation bonds without voter approval (the "State Tax

Cap"). Generally, the extension of property taxes for a unit of local government subject to the State Tax Cap may increase in any year by five percent or the percent increase in the Consumer Price Index, whichever is less, or the amount approved by referendum. The State Tax Cap does not apply to the issuance of "limited bonds" payable from a unit's "debt service extension base" or "double-barreled alternate bonds" issued pursuant to Section 15 of the Local Government Debt Reform Act. A recently enacted State law imposes certain notice and public hearing requirements on non-home rule units of local government that propose to issue debt. Those requirements do not apply to the City.

The City continues to be excluded from the State Tax Cap. However, from time to time, various public officials have stated that the State Tax Cap also should be made applicable to the City and other home rule municipalities. In addition, an advisory referendum posing the question should the Illinois General Assembly limit annual property tax extension increases to a maximum of five percent or as provided by the Consumer Price Index, whichever is less, was considered by County voters at the November 1994 general election. This advisory question was approved by approximately 83 percent of County voters who cast ballots on the question.

Under the Illinois Constitution of 1970, the enactment of legislation applying the State Tax Cap to the City and other home rule municipalities would require a three-fifths vote of each house of the Illinois General Assembly. It is not possible to predict whether, or in what form, any property tax limitations applicable to the City would be enacted by the Illinois General Assembly. The adoption of any such limits on the extension of real property taxes by the Illinois General Assembly may, in future years, adversely affect the City's ability to levy property taxes to finance operations at current levels and the City's power to issue additional general obligation debt without the prior approval of voters.

*The City.* In 1993, the City Council of the City adopted an ordinance (the "City Tax Limitation Ordinance"), limiting, beginning in 1994, the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy plus the lesser of (a) five percent or (b) the percentage increase in the annualized Consumer Price Index for all urban consumers for all items, as published by the United States Department of Labor, during the 12-month period most recently announced prior to the filing of the preliminary budget estimate report. The City Tax Limitation Ordinance provides a safe harbor for that portion of any property tax debt service levy equal to the aggregate interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to annual increase in the manner described above for the aggregate levy (the "Safe Harbor"). Additional safe harbors are provided for portions of any levy attributable to payments under installment contracts or public building commission leases or attributable to payments due as a result of the refunding of general obligation bonds or notes or of such installment contracts or leases. In October 1997, the City Council amended the City Tax Limitation Ordinance to exclude the School Improvement Taxes from the limits set forth herein.

The tax limits set forth in the City Tax Limitation Ordinance may in future years adversely affect the City's ability to finance operations at current levels and limit the ability of the City to finance capital improvement projects through the issuance of property tax-supported bonds.

## THE INDENTURE

The following is a summary of certain provisions of the Indenture. Other provisions of the Indenture are described earlier herein; see "DESCRIPTION OF THE SERIES 1999 BONDS" and "SECURITY FOR THE SERIES 1999 BONDS." Neither the following summary nor the descriptions contained elsewhere in this Official Statement are intended to be comprehensive or definitive and are qualified in their entirety by reference to such document, copies of which are available for review prior to the issuance and delivery of the Series 1999 Bonds at the office of the City Comptroller, City Hall, Room 501, 121 North LaSalle Street, Chicago, Illinois 60602, and thereafter at the office of the Trustee.

### **Application of Bond Proceeds**

Pursuant to the Indenture, a portion of the proceeds of the Series 1999 Bonds together with other available funds will be applied to refund the Series 1994 Bonds.

Accrued interest received by the City upon the sale of the Series 1999 Bonds shall be deposited in the Principal and Interest Account and be used to pay interest first coming due on the Series 1999 Bonds prior to applying any other moneys for that purpose.

Pursuant to the Indenture, a Project Fund will be established and held as a separate, segregated fund by the City with a Depository (which will be the Trustee). There shall be paid into the Project Fund the amounts required to be so paid by the provisions of the Indenture and any Supplemental Indenture and there may be paid into the Project Fund, at the option of the City any moneys determined to be so applied by the City. The City shall establish within the Project Fund in connection with the issuance of the Series 1999 Bonds separate, segregated accounts for the deposit of proceeds of 1999 Bonds issued to finance additional Project Costs. The City may deposit any such separate, segregated account within the Project Fund with a Depository pursuant to the provisions of a Supplemental Indenture. Amounts in each separate, segregated account established herein shall be applied to the purpose or purposes and in the manner specified in the Supplemental Indenture authorizing the Bonds, the proceeds of which were deposited in such account and upon the written direction of an Authorized Officer. See "ESTIMATED SOURCES AND USES OF FUNDS" and "NEAR SOUTH PROJECT AREA."

Proceeds of the Series 1999A Bonds which, together with other moneys contributed by the City, will be in an amount equal to the initial Debt Service Reserve Requirement for the Series 1999 Bonds will, on the date of original issuance and delivery of the Series 1999 Bonds, be deposited in the 1999 Reserve Sub-Account. See "SECURITY FOR THE SERIES 1999 BONDS—Debt Service Reserve Requirements."

#### **Additional Bonds; Refunding Bonds; Junior Lien Obligations**

Subject to compliance with the conditions described below, the City may issue Additional Bonds or Junior Lien Obligations for the purposes authorized in the Near South Redevelopment Plan or may issue Refunding Bonds. Except with respect to Sub-Accounts of the Reserve Account which secure particular Series of Bonds and as otherwise provided in the Indenture, any such Additional Bonds or Refunding Bonds will share ratably and equally with the Series 1999 Bonds in the Pledged Revenues, including Incremental Taxes and the funds and accounts established by the Indenture. Except with respect to Sub-Accounts of the Reserve Account which secure particular Series of Bonds and as otherwise provided in the Indenture, Additional Bonds and Refunding Bonds shall not have any terms creating a preference or priority of any Series of Additional Bonds or Refunding Bonds over the Series 1999 Bonds or any other Series of Additional Bonds or Refunding Bonds. Any Junior Lien Obligations shall be subordinate to the Series 1999 Bonds and any Additional Bonds and Refunding Bonds and shall have the terms established in the supplemental indenture, resolution or indenture authorizing such issuance of Junior Lien Obligations.

*General Provisions for Issuance and Delivery of Bonds.* (a) Each Series of Bonds shall be created by a Supplemental Indenture which shall prescribe expressly or by reference with respect to such Series (unless otherwise determined in the Indenture):

- (i) the authorized principal amount, designation and Series of such Bonds;
- (ii) the purposes for which such Series of Bonds is being issued;
- (iii) the manner in which the proceeds of the Bonds of such Series are to be applied;
- (iv) the date and the maturity date or dates of the Bonds of such Series;
- (v) the interest rate or rates of the Bonds of such Series, or the manner of determining such rate or rates, and the Interest Payment Dates and Record Dates therefor;
- (vi) the Authorized Denominations and the manner of dating, numbering and lettering of the Bonds of such Series;
- (vii) the Registrar and the Paying Agent or Paying Agents for the Bonds of such Series;
- (viii) the Redemption Price or Prices, if any, and any redemption dates and terms for the Bonds of such Series;
- (ix) the place or places of payment of the Redemption Price of, and interest on, the Bonds of such Series or the manner of designating the same;

(x) the amount and date of each Sinking Fund Installment, if any, for Bonds of like maturity of such Series; provided that the aggregate of such Sinking Fund Installments shall equal the aggregate principal amount of all such Bonds less the principal amount scheduled to be retired at maturity;

(xi) provisions as to registration of the Bonds of such Series;

(xii) the form and text of the Bonds of such Series and provision for the Trustee's authentication thereof by certificate or otherwise;

(xiii) the amount of the Debt Service Reserve Requirement with respect to such Series of Bonds, if any, calculated immediately after such authentication and delivery; and

(xiv) any other provisions deemed advisable by the City as shall not conflict with the provisions of the Indenture.

(b) Bonds of the same Series and maturity shall be of like tenor except as to denomination and form. After the original issuance of Bonds of a Series, no Bonds of such Series shall be issued except in lieu of or in substitution for the Bonds of such Series pursuant to the Indenture.

(c) Bonds issued pursuant to the Indenture may be issued as Current Interest Bonds, Variable Rate Bonds, Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Tender Option Bonds (provided the City shall deliver to the Trustee upon the authentication of such Bonds a Credit Facility which the Trustee or another Fiduciary may draw upon to pay the purchase price of any such Bonds), Serial Bonds or Term Bonds or any combination thereof, all as provided in the Supplemental Indenture providing for their issuance.

*Conditions Precedent to Delivery of Any Series.* Bonds of any Series shall be executed by the City and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the City or upon its order, but only following the receipt by the Trustee of:

(a) A copy of an ordinance adopted by the City Council, certified by the City Clerk, authorizing the execution and delivery of the applicable Supplemental Indenture;

(b) A Counsel's Opinion to the effect that (i) the City had the right and power to adopt the ordinance referred to in (a) above; (ii) the ordinance has been duly and lawfully adopted by the City Council, is in full force and effect and is valid and binding upon the City and is enforceable in accordance with its terms (except as limited by any applicable bankruptcy, liquidation, reorganization, insolvency or other similar laws and by general principles of equity in the event that equitable remedies are sought); (iii) the Indenture and such Supplemental Indenture have been duly and lawfully executed by authorized officers of the City, are in full force and effect and are valid and binding upon the City and are enforceable in accordance with their terms (except as limited by any applicable bankruptcy, liquidation, reorganization, insolvency or other similar laws and by general principles of equity in the event that equitable remedies are sought); (iv) the Indenture and the Supplemental Indenture create the valid pledge of Pledged Revenues, moneys and securities held thereunder for the benefit and security of the Bonds, subject to application thereof in the manner provided therein; and (v) upon the execution, authentication and delivery thereof, the Bonds of such Series will have been duly and validly authorized and issued in accordance with the Constitution and laws of the State of Illinois, the Indenture and such Supplemental Indenture;

(c) A written order as to the delivery of such Series, executed by an Authorized Officer (i) stating the identity of the purchasers, aggregate purchase price and date and place of delivery of such Series, (ii) stating that no Event of Default has occurred and is continuing under the Indenture and (iii) fixing and determining all terms and provisions of the Bonds of such Series not fixed or determined by the Indenture or the applicable Supplemental Indenture;

(d) An original executed counterpart of the Indenture (or a copy duly certified by the City Clerk of the City) and the applicable Supplemental Indenture;

(e) With respect to all Series of Bonds, other than Refunding Bonds to the extent permitted by the Indenture as described below, issued and delivered subsequent to the delivery of the initial Series of Bonds, a certificate of an Authorized Officer:

(i) setting forth the amount of the Pledged Revenues in the most recently ended Bond Year next preceding the date of issuance of such Bonds;

(ii) setting forth for the current Bond Year and each Bond Year thereafter, the Annual Debt Service Requirement on account of all Bonds then Outstanding and the Bonds proposed to be issued;

(iii) establishing that the amount shown in subparagraph (i) above shall be not less than 115 percent of the Average Annual Debt Service Requirement on account of all Bonds then Outstanding and the Bonds proposed to be issued; and

(iv) stating that all required deposits to all Funds, Accounts and Sub-Accounts under the Indenture are current.

Notwithstanding the foregoing, for so long as any Series 1999 Bonds insured by Ambac Assurance remain outstanding, the requirement set forth in (e)(iii) above shall be modified to require 150 percent of the Maximum Annual Debt Service Requirement on account of all Bonds then Outstanding and the Bonds proposed to be issued.

In applying the foregoing test, if any of the Bonds Outstanding immediately prior to or after the issuance of the bonds to be issued constitute Tender Option Bonds or Variable Rate Bonds, the provisions set forth in the Indenture shall be applied in determining the Annual Debt Service Requirements of such Bonds.

*Refunding Bonds.* (a) One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund or advance refund any or all Outstanding Bonds of one or more Series, to refund or advance refund any Junior Lien Obligations, to pay costs and expenses incident to the issuance of such Refunding Bonds and to make deposits in any Fund, Account or Sub-Account under the Indenture as determined by the City in the Supplemental Indenture authorizing such Bonds.

(b) Refunding Bonds of a Series to refund or advance refund Outstanding Bonds shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to the documents, securities and moneys required by paragraphs (a), (b), (c) and (d) under the subcaption "—Conditions Precedent to Delivery of Any Series" above) of:

(i) Such instructions to the Trustee as necessary to comply with all requirements set forth in the Indenture so that the Bonds to be refunded or advance refunded will be paid or deemed to be paid pursuant to the Indenture.

(ii) Either (A) moneys in an amount sufficient to effect payment of the principal and Redemption Price, if applicable, and interest due and to become due on the Bonds to be refunded or advance refunded on and prior to the redemption date or maturity date thereof, as the case may be, which moneys shall be held by the Trustee or any of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds to be refunded or advance refunded, or (B) Government Obligations in such principal amounts, of such maturities, and bearing interest at such rates as shall be necessary, together with the moneys, if any, deposited with the Trustee at the same time, to comply with the provisions of the Indenture.

(iii) A certificate of an Authorized Officer evidencing either that (A) (1) the term of the Refunding Bonds does not exceed the term of the Bonds being refunded, and (2) the Annual Debt Service Requirement for any Bond Year on account of all Bonds Outstanding, after the issuance of such Refunding Bonds and the redemption or provision for payment of the Bonds to be refunded, shall not exceed the Annual Debt Service Requirement for the corresponding Bond Year on account of all the Bonds Outstanding, including the Bonds to be refunded, immediately prior to the issuance of such Refunding Bonds, or (B) in the case of a refunding of Outstanding Bonds that does not meet the requirements of the preceding clause (A), delivery of a certificate of an Authorized Officer:

(1) setting forth the amount of the Pledged Revenues in the most recently ended Bond Year next preceding the date of issuance of such Refunding Bonds;

(2) setting forth for the current Bond Year and each Bond Year thereafter, the Annual Debt Service Requirement on account of all Bonds then Outstanding and the Refunding Bonds proposed to be issued;

(3) establishing that the amount shown in subparagraph (1) above shall be not less than 115 percent of the Average Annual Debt Service Requirement on account of all Bonds then Outstanding and the Refunding Bonds proposed to be issued;

(iv) stating that all required deposits to all Funds, Accounts and Sub-Accounts hereunder are current; and

(v) attaching the written consent of the Owners of all Bonds then outstanding to the issuance of such Refunding Bonds.

Notwithstanding the foregoing, for so long as any Series 1999 Bonds insured by Ambac Assurance remain outstanding, the requirement set forth in (b)(iii)(3) above shall be modified to require 150 percent of the Maximum Annual Debt Service Requirement on account of all Bonds then Outstanding and the Bonds proposed to be issued.

In applying the test set forth in subparagraph (b)(iii) above, if any of the Bonds Outstanding immediately prior to or after the issuance of the Refunding Bonds to be issued constitute Tender Option Bonds or Variable Rate Bonds, the following provisions shall be applied in determining the Annual Debt Service Requirements of such Bonds:

(X) *Tender Option Bonds.* If any of the Outstanding Bonds constitute Tender Option Bonds, then for purposes of the amounts to be shown as set forth in optional subparagraph (b)(iii) above, the options of the Owners of such Bonds to tender the same for payment prior to their stated maturity or maturities shall be ignored, and (1) if such Bonds also constitute Variable Rate Bonds, the City shall adjust such amounts to be shown as set forth in subparagraph (b)(iii) of this Section as provided in subparagraph (Y) below, (2) if such Bonds are secured by a Credit Facility, the Credit Bank or obligations secured by credit facilities issued by such Credit Bank shall be rated in one of the three highest rating categories (without reference to gradations such as "plus" or "minus") by any of the Rating Agencies, and (3) any obligation the City may have other than its obligation on such Bonds (which need not be uniform as to all Owners thereof to reimburse any Credit Bank including any obligations so to reimburse in excess of the Annual Debt Service Requirements on such Bonds (determined without regard to whether such Credit Bank shall then be holding or shall then have had pledged to it such Bonds) shall be subordinated to the obligation of the City on the Bonds.

(Y) *Variable Rate Bonds.* If any of the Outstanding Bonds constitute Variable Rate Bonds, then for purposes of the amounts to be shown as set forth in subparagraph (b)(iii) above, the interest rate used in such computation shall be the least of (a) the maximum interest rate established in the Supplemental Indenture authorizing such Bonds and (b) if and so long as a Qualified Swap Agreement is in effect, the interest rate shall be determined as if the Variable Rate Bonds had interest payments equal to the interest payable on those Variable Rate Bonds less any payments to the City from the Swap Provider and plus any payments by the City to the Swap Provider as provided by the Qualified Swap Agreement (other than fees for providing the Qualified Swap Agreement). The conversion of Bonds constituting Variable Rate Bonds to bear interest at a different variable rate or a fixed rate or rates, in accordance with their terms, shall not constitute a new issuance of Bonds under the Indenture.

(c) Refunding Bonds of a Series issued to refund or advance refund Junior Lien Obligations shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to the documents, securities and moneys required under the subcaption "— Conditions Precedent to Delivery of Any Series" above) of:

(i) A certificate of an Authorized Officer evidencing satisfaction of the test set forth in paragraph (e) under the subcaption "— Conditions Precedent to Delivery of Any Series" as applied to the Refunding Bonds to be used under the provisions of this subcaption.

(ii) A certificate of the trustee then duly appointed or acting under the Supplemental Indenture, indenture, ordinance or other appropriate instrument securing and authorizing such Junior Lien

Obligations or of the City if there shall be no such trustee, that (A) provision has been duly made for the redemption or payment at maturity of such Junior Lien Obligations in accordance with the terms thereof, (B) the pledge of Pledged Revenues securing such Junior Lien Obligations and all other rights granted by such indenture, ordinance or instrument shall have been discharged and satisfied, and (C) such trustee or the paying agents for such Junior Lien Obligations hold in trust the moneys or securities, together with investment income thereon, required to effect such redemption or payment.

(iii) A Counsel's Opinion to the effect that all actions required under the Supplemental Indenture, indenture, ordinance or other appropriate instrument securing and authorizing such Junior Lien Obligations to provide for the redemption or payment of such Junior Lien Obligations have been taken.

(iv) The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied upon their delivery as follows: (A) there shall be deposited in any Fund, Account or Sub-Account under the Indenture the amount, if any, required by the Supplemental Indenture authorizing such Series, including, but not limited to, an amount to be applied to the payment of costs and expenses incident to the issuance of such Refunding Bonds, (B) the amount of such proceeds needed for the refunding of the Junior Lien Obligations to be refunded and for the payment of expenses incidental to such refunding shall be used for such purposes, and (C) any balance of such proceeds shall be deposited in the Incremental Taxes Fund for application pursuant to the Indenture.

*Junior Lien Obligations.* (a) The City may authorize and issue Junior Lien Obligations from time to time pursuant to Supplemental Indentures for any of the purposes for which Bonds may be issued under the Indenture. The Junior Lien Obligations shall be payable out of the Pledged Revenues and may be secured by a pledge and assignment of such amounts in the Accounts and Sub-Accounts established pursuant to the Indenture and the respective Supplemental Indenture as may from time to time be available for the purpose of payment thereof as provided in the Indenture; provided, however, that any such pledge and assignment shall be, and shall be expressed to be, subordinate to the pledge of the Trust Estate under the Indenture as security for the Bonds to the extent provided in the Indenture.

(b) Prior to the issuance of any Junior Lien Obligations, there shall be delivered to the Trustee a certificate of an Authorized Officer:

(i) setting forth the amount of the Pledged Revenues projected to be available to pay debt service on Outstanding Bonds and such Junior Lien Obligations during the period such Junior Lien Obligations will be outstanding;

(ii) setting forth for the current Bond Year and each Bond Year thereafter, the Annual Debt Service Requirement on account of all Bonds and Junior Lien Obligations then Outstanding and the Junior Lien Obligations proposed to be issued under the Indenture;

(iii) establishing that the amount shown in subparagraph (i) above shall be not less than 100 percent of the Maximum Annual Debt Service Requirement on account of all Bonds and Junior Lien Obligations then Outstanding and the Junior Lien Obligations proposed to be issued; and

(iv) stating that all required deposits to all Funds, Accounts and Sub-Accounts under the Indenture are current.

(c) The Junior Lien Obligations shall have such terms and provisions as shall be set forth in the Supplemental Indenture providing for the issuance thereof; provided, however, that no holder of a Junior Lien Obligation shall have the right to cause the acceleration of such Junior Lien Obligation in the event of a default thereunder.

Notwithstanding the foregoing for so long as Series 1999 Bonds insured by Ambac Assurance remain outstanding, the requirement set forth in (b)(iii) above shall be modified to require 150 percent of the Maximum Annual Debt Service Requirement on account of all Bonds then Outstanding and the Bonds proposed to be issued.



## Trustee

The Indenture provides for the appointment of the Trustee and sets forth the duties and responsibilities of the Trustee.

## General Covenants

Under the Indenture, the City covenants as follows:

*Payment of Bonds.* The City covenants and agrees that it will pay or cause payment to be made, when due, solely from Pledged Revenues, the principal at maturity and Redemption Price, if any, of every Outstanding Bond, and the interest thereon, solely from Pledged Revenues, at the places, on the dates and in the manner provided in the Indenture and in the Bonds. The City further covenants and agrees that it will make deposits, solely from Pledged Revenues, to meet all Sinking Fund Installments for the Bonds and for each other Series of Bonds for which Sinking Fund Installments are established, in accordance with and subject to the provisions of the Indenture and each Supplemental Indenture.

*Extension of Payment of Bonds.* If the maturity of any Bond or installment of interest shall be extended pursuant to the written consent of the Owner thereof and in accordance with all applicable laws and regulations, such Bond or installment of interest shall not be entitled, in case of any default under the Indenture, to the benefit of the Indenture or to payment out of Pledged Revenues or the Funds, Accounts and Sub-Accounts established by the Indenture or moneys held by Fiduciaries or Depositories (except moneys held in trust for the payment of such Bond or installment of interest) until the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest.

*Offices for Servicing Bonds.* The City shall at all times maintain one or more Paying Agents and Registrars in Chicago, Illinois, or in New York, New York, where Bonds may be presented for payment and where Bonds may be presented for registration, transfer or exchange.

*Further Assurances.* At any and all times the City shall, as far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further indentures, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming, all and singular, the rights, Pledged Revenues and other moneys, securities and funds hereby pledged or assigned, or which the City may become bound to pledge or assign.

*Power to Issue Bonds and Pledge Pledged Revenues and Other Funds.* The City is duly authorized under all applicable laws to issue the Bonds and to execute and deliver the Indenture and to pledge the Pledged Revenues and other moneys, securities and funds pledged by the Indenture and to grant the lien granted by the Indenture thereon in the manner and to the extent provided in the Indenture. Except as provided in the Indenture, the Pledged Revenues and other moneys, securities and funds so pledged, and subject to such lien, are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by the Indenture, and all action on the part of the City to that end has been and will be duly and validly taken. The Bonds and the provisions of the Indenture are and will be valid and legally enforceable obligations of the City in accordance with their terms and the terms of the Indenture and any Supplemental Indenture, except to the extent enforceability may be limited by bankruptcy, insolvency and other laws affecting conditions, rights or remedies and the availability of equitable remedies generally. The City covenants that upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and laws of the State of Illinois and the Indenture to exist, to have happened and to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed. The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of and lien on the Pledged Revenues and other moneys, securities and funds pledged under the Indenture and all the rights of the Owners under the Indenture against all claims and demands.

*Indebtedness and Liens.* The City shall not issue any bonds or other evidences of indebtedness, other than the Bonds and Junior Lien Obligations, which are secured by a pledge of or lien on the Pledged Revenues or the

moneys, securities or funds held or set aside by the City or by the Trustee under the Indenture, and shall not, except as expressly authorized in the Indenture, create or cause to be created any lien or charge on the Pledged Revenues or such moneys, securities or funds; provided, however, that nothing contained in the Indenture shall prevent the City from issuing evidences of indebtedness payable from, or secured by the pledge of, Pledged Revenues to be derived on and after such date as the pledge of Pledged Revenues provided in the Indenture shall be discharged and satisfied as provided in the Indenture.

*Covenants of the City.* The City covenants and agrees with the Owners of the Bonds that, so long as any Bonds remain Outstanding and unpaid:

(a) The City will cause to be punctually paid from the Incremental Taxes Fund, but solely to the extent that adequate amounts are on deposit in that Fund for that purpose, the principal of, interest on and premium, if any, to become due in respect of the Bonds in strict conformity with the terms of the Bonds, the Indenture and the applicable Supplemental Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Bonds, the Indenture and each Supplemental Indenture

(b) The City will cause to be punctually paid and discharged, from the Incremental Taxes Fund, but solely to the extent that adequate amounts are on deposit in that Fund for that purpose, any and all lawful claims which, if unpaid, might become a lien or charge upon the Pledged Revenues, or any part of the Pledged Revenues, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing in the Indenture shall require the City to make any such payment so long as the City in good faith shall contest the validity of said claims.

(c) The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Bonds and to the Pledged Revenues. Such books of record and accounts, and any other report, shall at all times during regular business hours be subject to the inspection of the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The City will prepare, or cause the preparation of, within two hundred seventy days (270) after the close of each Fiscal Year of the City so long as any of the Bonds are Outstanding, audited financial statements with respect to the preceding Fiscal Year showing the Pledged Revenues received and all disbursements from the funds and accounts created by this Indenture, on a consolidated basis, as of the end of such Fiscal Year, which statements shall be accompanied by a certificate or opinion in writing of an independent certified public accountant. The City will provide such audited financial statements upon request to any Person holding more than 50 percent of the Bonds.

(d) The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all Persons. From and after the sale and delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

(e) The City will execute and deliver any and all such instruments and assurances as may be reasonably necessary or proper to carry out the intention of, or to facilitate the performance of, the Indenture, and for the better assuring and confirming unto the registered owners of the Bonds of the rights and benefits provided in the Indenture.

(f) Upon request of any Person holding more than 50 percent of the Bonds, the City will provide the most recent information available regarding the Equalized Assessed Valuation of each taxable lot, block, tract or parcel of real property in the Near South Project Area.

## Events of Default and Remedies

Each of the following constitutes an Event of Default pursuant to the Indenture:

(a) default shall be made in the payment of the principal of or redemption premium, if any, on any Bond when such payment shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) default shall be made in the payment of any installment of interest on any Bond when and as such payment shall become due and payable; or

(c) default shall be made by the City in the performance of any obligation in respect of the Reserve Account and such default shall continue for sixty (60) days after such default; provided, however, that if the nature of the default is such that it cannot be cured within the 60-day period following receipt of notice specifying such default, but can be cured within a longer period, no event of default shall occur if the City institutes corrective action within such 60-day period and diligently pursues such action until the default is corrected; or

(d) the City shall (1) commence a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, (2) make an assignment for the benefit of its creditors, (3) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property or (4) be adjudicated a bankrupt or have entered against it any order for relief in respect of an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law and such order continues in effect for a period of sixty (60) days without stay or vacation; or

(e) a court of competent jurisdiction shall enter an order, judgment or decree appointing a receiver of the City, or of the whole or any substantial part of its property, or approving a petition seeking reorganization of the City under the federal bankruptcy laws or any other applicable federal or state law or statute and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry of such order, judgment or decree; or

(f) under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property, and such custody or control shall not be terminated or stayed within sixty (60) days from the date of assumption of such custody or control; or

(g) the City shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture on the part of the City to be performed, and such default shall continue for sixty (60) days after written notice specifying such default and requiring such default to be remedied shall have been given to the City by the Trustee (which may give such notice whenever it determines that such a default is subsisting and shall give such notice at the written request of the registered owners of not less than the Owners of a majority of the principal amount of the Bonds then Outstanding); provided, however, that if the nature of the default is such that it cannot be cured with the 60-day period following receipt of notice specifying such default, but can be cured within a longer period, no event of default shall occur if the City institutes corrective action within such 60-day period and diligently pursues such action until the default is corrected; then in each and every such case the Trustee may, and upon the written request of the Owners of a majority of the principal amount of the Bonds affected by the Event of Default and then Outstanding under the Indenture shall, proceed to protect and enforce its rights and the rights of the Owners of the Bonds by a suit, action or special proceeding in equity or at law, by mandamus or otherwise, either for the specific performance of any covenant or agreement contained in this Indenture or in aid or execution of any power granted by the Indenture or for any enforcement of any proper legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce those rights.

During the continuance of an Event of Default, all moneys received by the Trustee under the Indenture from the City or from any other source shall be applied by the Trustee in accordance with the terms of the Indenture.

## **Proceedings Brought by Trustee**

(a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Owners of not less than a majority in principal amount of the Bonds Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners of the Bonds under the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

(b) All rights of action under the Indenture may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding, and any such suit or other proceeding instituted by the Trustee shall be brought in its name.

(c) All actions against the City under the Indenture shall be brought in a state or federal court located in the State of Illinois and situated in the County of Cook.

(d) The Owners of not less than a majority in principal amount of the Bonds then Outstanding may direct the time, method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the enforcement of any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Owners not parties to such direction.

(e) Upon commencing any suit at law or in equity or upon commencement of other judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

(f) Regardless of the happening of an Event of Default, the Trustee shall have power, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation, to institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under this Indenture and to preserve or protect its interests and the interest of the Owners.

## **Supplemental Indentures**

The City and the Trustee may without the consent of, or notice to, any of the Owners, enter into a Supplemental Indenture or Supplemental Indentures for any one or more of the following purposes:

(a) to authorize a Series of Bonds and to specify, determine or authorize any matters and things concerning any such Bonds which are not contrary to or inconsistent with the Indenture;

(b) to close the Indenture against, or impose additional limitations or restrictions on, the issuance of Bonds, or of other notes, bonds, obligations or evidences of indebtedness;

(c) to impose additional covenants or agreements to be observed by the City;

(d) to impose other limitations or restrictions upon the City;

(e) to surrender any right, power or privilege reserved to or conferred upon the City by the Indenture;

(f) to confirm, as further assurance; any pledge of or lien upon the Pledged Revenues or any other moneys, securities or funds;

- (g) to authorize the issuance of Junior Lien Obligations and in connection therewith, specify and determine any matters and things relative thereto which are not contrary to or inconsistent with the Indenture as then in effect;
- (h) to cure any ambiguity, omission or defect in the Indenture;
- (i) to provide for the appointment of a successor securities depository in the event any Series of Bonds is held in book-entry only form;
- (j) to provide for the appointment of any successor Fiduciary; and
- (k) to make any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners.

In addition to supplemental indentures for the purposes described above, upon the consent of the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, the City and the Trustee may execute and deliver any other supplemental indenture or indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that no such modification or amendment may (i) extend the maturity or reduce the interest rate on or otherwise alter or impair the obligation of the City to pay the principal of, interest or redemption premium, if any, on any Bond without the express consent of the owner of such Bond, or (ii) permit the creation of a preference or priority of any Bond over any other Bond or Bonds, reduce the percentage of Bonds required for an affirmative vote or written consent to an amendment or modification, or deprive the owners of the Bonds of the right to payment of the Bonds from the Pledged Revenues without the consent of the owners of all Bonds then Outstanding.

#### **Discharge of the Indenture**

If the City shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in the Indenture, then the pledge of any Pledged Revenues and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the City to the Owners shall thereupon be discharged and satisfied. In such event, the Trustee, upon request of the City, shall provide an accounting of the assets managed by the Trustee to be prepared and filed with the City for any year or part thereof requested, and shall execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the City all moneys and securities held by them pursuant to the Indenture which are not required for the payment of Bonds not previously surrendered for such payment or redemption. If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series, maturity within a Series or portion of any maturity within a Series (which portion shall be selected by lot by the Trustee in the manner provided in the Indenture for the selection of Bonds to be redeemed in part), the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the City to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Escrow Agent at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if the City shall have delivered to or deposited with the Escrow Agent (i) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (ii) irrevocable instructions to publish or mail the required notice of redemption of any Bonds so to be redeemed, (iii) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, and (iv) if any of said Bonds are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all Owners of said Bonds a notice that such deposit has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price,

if applicable, of said Bonds. The Defeasance Obligations and moneys deposited with the Trustee shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Bonds. No payments of principal of any such Defeasance Obligations or interest thereon shall be withdrawn or used for any purpose other than the payment of such principal or Redemption Price of, or interest on, said Bonds unless after such withdrawal the amount held by the Trustee and interest to accrue on Defeasance Obligations so held shall be sufficient to provide fully for the payment of the principal of or Redemption Price and interest on such Bonds, at maturity or upon redemption, as the case may be.

Amounts deposited with the Trustee for the payment of the principal of and interest on any Bonds deemed to be paid pursuant to the Indenture, if so directed by the City, shall be applied by the Trustee to the purchase of such Bonds in accordance with the Indenture. Bonds for which a redemption date has been established may be purchased on or prior to the 45th day preceding the redemption date. The principal amount of Bonds to be redeemed shall be reduced by the principal amount of Bonds so purchased. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. All such purchases shall be made at prices not exceeding the applicable principal amount or Redemption Price established pursuant to the Indenture, plus accrued interest, and such purchases shall be made in such manner as the Trustee shall determine. No purchase shall be made by the Trustee pursuant to the Indenture if such purchase would result in the Trustee holding less than the moneys and Defeasance Obligations required to be held for the payment of all other Bonds deemed to be paid pursuant to the Indenture.

The City may purchase with any available funds any Bonds deemed to be paid pursuant to the Indenture. Bonds for which a redemption date has been established may be purchased by the City on or prior to the 45th day preceding the redemption date. On or prior to the 45th day preceding the redemption date the City shall give notice to the Trustee of its intention to surrender such Bonds on the redemption date. The Trustee shall proceed to call for redemption the remainder of the Bonds due on the redemption date and shall pay to the City on the redemption date the Redemption Price of and interest on such Bonds upon surrender of such Bonds to the Trustee. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. The Trustee shall pay to the City the principal amount of and interest on such Bonds upon surrender of such Bonds on the maturity date.

Any time after any Bonds are deemed to be paid pursuant to the Indenture, the City shall not at any time permit any of the proceeds of the Bonds or any other funds of the City to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in the Code and Regulations.

Each Fiduciary shall continue to be entitled to reasonable compensation for all services rendered under the Indenture, notwithstanding that any Bonds are deemed to be paid pursuant to the Indenture.

Anything in the Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds become due and payable, shall, at the written request of the City, be repaid by the Fiduciary to the City, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the City for the payment of such Bonds.

#### **Bond Insurer**

*Payments Under a Bond Insurance Policy.* As long as any Bond Insurance Policy shall be in full force and effect with respect to the Bonds, the City, the Trustee and any Paying Agent will comply with the following provisions:

(A) At least one (1) day prior to all interest payment dates on the Bonds, the Trustee or Paying Agent, if any, will determine whether there will be sufficient funds in the funds and accounts maintained under the Indenture to pay the principal of or interests on the Bonds on such interest payment date. If the Trustee or Paying Agent, if any, determines that there will be insufficient funds in such funds or accounts, the Trustee or Paying Agent, if any, shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Trustee or Paying Agent, if any, has not notified the Bonds Insurer at least one (1) day prior to the interest payment date, the Bond Insurer will make payments

of principal or interest due on the Bonds on or before the first (1st) day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee or Paying Agent, if any.

(B) The Trustee or Paying Agent, if any, shall, after giving notice to the Bond Insurer as provided in (A) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to the United States Trust Company of New York, as insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the City maintained by the Trustee or Paying Agent, if any, and all records relating to the funds and accounts maintained under the Indenture.

(C) The Trustee or Paying Agent, if any, shall provide the Bond Insurer and the Insurance Trustee with a list of Owners of Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Owners of Bonds entitled to receive funds or partial interest payments from the Bond Insurer and (ii) to pay principal upon Bonds surrendered to the Insurance Trustee by the Owners of Bonds entitled to receive full or partial payments from the Bond Insurer.

(D) The Trustee or Paying Agent, if any, shall, at the time it provides notice to the Bond Insurer pursuant to (A) above, notify Owners of Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the entitlement of such Owners to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee or permit ownership of such Bonds to be registered in the name of the Bonds Insurer) for payment to the Insurance Trustee, and not the Trustee or Paying Agent, if any, and that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Bonds for payment thereon first to the Trustee or Paying Agent, if any, and then along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(E) In the event that the Trustee or Paying Agent, if any, has notice that any payment of principal or interest on a Bond which has become Due for Payment (as defined in the Bond Insurance Policy) and which made to an Owner of Bonds by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or Paying Agent, if any, shall, at the time the Bond Insurer is notified pursuant to (A) above, notify all Owners of the Bonds that in the event that any Owner's payment is so recovered, such Owner will be entitled to payment from the Bond Insurance to the extent of such recovery if sufficient funds are not otherwise available and the Trustee or Paying Agent, if any, shall furnish to the Bond Insurer its records evidencing the payment of principal of and interest on the Bonds which have been made by the Trustee or Paying Agent, if any, and subsequently recovered from Owners of Bonds and the dates on which such payments were made.

(F) In addition to those rights granted the Bond Insurer under the Indenture and the applicable Supplemental Indenture, the Bond Insurer shall, to the extent it makes payments of principal or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or Paying Agent, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the City maintained by the Trustee or Paying Agent, if any, upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Owners of the Bonds; and (ii) in the case of subrogation as to claims for past due principal, the Trustee or Paying Agent, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the City maintained by the Trustee or Paying Agent, if any, upon surrender of the Bonds by the Owners thereof together with proof of the payment of principal thereof.

*Consent of Bond Insurer.* (A) Any provision of the Indenture or the applicable Supplemental Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer without the prior written consent of the Bond Insurer.

(B) The consent of the Bond Insurer shall be required in addition to the consent of the Owners of the Bonds, when required, for the following purposes:

- (i) execution and delivery of any Supplemental Indenture;
- (ii) removal of the Trustee or any Paying Agent and selection and appointment of any successor Trustee or Paying Agent; and
- (iii) initiation or approval of any action not described in (i) or (ii) above which required consent of the Owners of the Bonds.

*Defeasance.* Notwithstanding anything in the Indenture or the applicable Supplemental Indenture to the contrary, in the event that the principal of or interest on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, shall not be deemed to be defeased or otherwise satisfied and not considered paid by the City, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the City to the Owners of the Bond shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners.

*Rights of Bond Insurer Upon Default or Insolvency.* Notwithstanding anything in the Indenture or the applicable Supplemental Indenture to the contrary, upon the occurrence and continuance of an Event of Default, the Bond Insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Bonds or the Trustee for the benefit of the Owners of the Bonds under the Indenture.

In the event of any reorganization or liquidation, the Bond Insurer will have the right to vote on behalf of all Owners who hold Bonds secured by the Bond Insurance Policy absent a default by the Bond Insurer under the Bond Insurance Policy.

### CONSULTANT'S REPORT

The City has received the Consultant's Report attached to this Official Statement as APPENDIX B. The Consultant's Report documents the Consultant's estimates of the Incremental Taxes to be available for payment of principal of and interest on the Series 1999 Bonds, as well as a number of limiting conditions on those estimates. The City has not independently verified the projections of Incremental Taxes in the Consultant's Report.

### UNDERWRITING

The Underwriters have agreed, subject to certain conditions, pursuant to a contract of purchase, to (i) purchase the Series 1999A Bonds at a price equal to \$43,338,706.19 (representing an underwriting discount of \$295,290.81 and net original issue premium of \$1,133,997.00) plus accrued interest to the date of delivery and (ii) purchase the Series 1999B Bonds at a price equal to \$7,465,601.62 (representing an underwriting discount of \$32,100.58 and net original issue discount of \$2,297.80) plus accrued interest to the date of delivery. The purchase contract requires the Underwriters to purchase all of the Series 1999 Bonds if any are purchased.

### CERTAIN VERIFICATIONS

Thomas Havey LLP, Chicago, Illinois, independent certified public accountants, upon delivery of the Series 1999 Bonds, will deliver to the Underwriters a report stating that the firm, at the request of the City and the Underwriters, has reviewed the mathematical accuracy of certain computations based on certain assumptions relating to (i) the sufficiency of the principal and interest received from the Government Securities, together with an initial cash deposit, to meet the timely payment of principal of, redemption premium and interest on, the Series 1994 Bonds and (ii) the actuarial yields on the Series 1999 Bonds and the acquired obligations to be held in the Escrow Account, such computations with respect to such yields to be used to support the conclusion of Co-Bond Counsel that the Series 1999 Bonds are not "arbitrage bonds" under Section 148 of the Code. Thomas Havey LLP will express no opinion on the attainability of any assumptions or the tax-exempt status of the Series 1999 Bonds.



## LEGAL MATTERS

The Series 1999 Bonds will be offered for sale subject to the approval of legality by Schiff Hardin & Waite and Albert, Whitehead & McGaugh, P.C., Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the City by its Corporation Counsel; and for the Underwriters, by Altheimer & Gray and Victor P. Armendariz & Associates, Chicago, Illinois. In addition, appropriate certificates in connection with such matters and matters affecting the requirements which must be met in order for the interest on the Series 1999 Bonds to be excludible from gross income for federal income tax purposes will be obtained from the City.

## LITIGATION

There is no litigation pending in any court or, to the knowledge of the City, threatened, questioning the corporate existence of the City, or which would restrain or enjoin the issuance or delivery of the Series 1999 Bonds, or which concerns the proceedings of the City taken in connection with the Series 1999 Bonds.

## TAX EXEMPTION

### Series 1999A Bonds

In the opinions of Co-Bond Counsel, interest on the Series 1999A Bonds under present law is not includible in "gross income" for federal income tax purposes and thus is exempt from federal income taxes based on gross income. This opinion is subject to compliance by the City with its covenant described below.

Certain requirements must be met in order for the interest on the Series 1999A Bonds to be excludible from gross income for federal income tax purposes. These requirements relate to the use and investment of various proceeds and funds of the City in connection with the Series 1999A Bonds and the use of property financed by the Series 1999A Bonds. The City has covenanted to comply with all of these requirements. If the City were to fail to comply with these requirements, interest on the Series 1999A Bonds could become includible in gross income for federal income tax purposes retroactively to the date the Series 1999A Bonds are issued.

The amortization of original issue premium on the Series 1999A Bonds is not deductible from gross income for federal income tax purposes. Prospective purchasers of the Series 1999A Bonds to be purchased at a premium should consult with their tax advisors with respect to the federal, state and local tax consequences of owning such Series 1999A Bonds.

Co-Bond Counsel are also of the opinion that interest on the Series 1999A Bonds is not an item of tax preference for purposes of computation of the alternative minimum tax for individuals or corporations. Interest on the Series 1999A Bonds is, however, included in "earnings and profits" of certain corporations and thus may be taken into account in calculation of the alternative minimum tax for those corporations. Interest on the Series 1999A Bonds may also be taken into account in calculating federal income taxes based in whole or in part on "earnings and profits" for certain corporations, such as the branch profits tax and the environmental tax.

Ownership of the Series 1999A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, certain institutions, certain insurance companies, certain S Corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Series 1999A Bonds should consult their tax advisors as to applicability of any of those collateral consequences.

Interest on the Series 1999A Bonds is not exempt from present Illinois income taxes.

## Series 1999B Bonds

In the opinion of Co-Bond Counsel, interest on the Series 1999B Bonds is not excluded from gross income for federal income tax purposes and interest on the Series 1999B Bonds is not exempt from present Illinois income taxes.

### ORIGINAL ISSUE DISCOUNT

The initial public offering prices of certain of the Series 1999A Bonds, as shown on the cover of this Official Statement, are less than their principal amounts. The difference between the initial public offering price of any Series 1999A Bond (assuming it is the first price at which a substantial amount of such maturity is sold) (the "Issue Price") and its principal amount of such Series 1999A Bond will be treated as "original issue discount." With respect to a taxpayer who purchased such a Series 1999A Bond in the initial public offering at the Issue Price and who holds such Series 1999A Bond to the principal payment date, the full amount of original issue discount will constitute interest which is not includable in the gross income of the owner of such Series 1999A Bond for federal income tax purposes and such owner will not, under present federal income tax law, realize taxable capital gain upon payment of such Series 1999A Bond upon the principal payment date.

The original issue discount on such a Series 1999A Bond is treated as accruing daily over its term on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on May 15 and November 15 (with straight line interpolation between compounding dates).

The Code provides, with respect to tax-exempt obligations such as the Series 1999A Bonds sold at original issue discount, that the amount of original issue discount accruing each period will be added to the owner's tax basis for those Series 1999A Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of those Series 1999A Bonds (including sale or payment at the principal payment date). An owner of a Series 1999A Bond sold at original issue discount who disposes of that Series 1999A Bond prior to the principal payment date should consult the owner's tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of the Series 1999A Bond prior to the principal payment date.

A portion of the original issue discount that accrues in each year to an owner of a Series 1999A Bond may result in certain collateral federal income tax consequences as described herein under the heading "TAX EXEMPTION."

Owners who purchase Series 1999A Bonds in the initial public offering but at a price different than the Issue Price should consult their own tax advisors with respect to the tax consequences of the ownership of those Series 1999A Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of obligations such as the Series 1999A Bonds sold at original issue discount. Owners who do not purchase such Series 1999A Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of such Series 1999A Bonds.

Owners of Series 1999A Bonds sold at original issue discount should consult their own tax advisors with respect to the state and local tax consequences of owning the Series 1999A Bonds. It is possible that under the applicable provisions governing the determination of state or local income taxes, accrued original issue discount on those Series 1999A Bonds may be deemed to be received in the year of the accrual even though there will not be a corresponding cash payment until a later year.

### RATINGS

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Services, Inc. and Fitch IBCA, Inc. are each expected to assign ratings to the Series 1999 Bonds, conditioned upon the delivery of the Bond Insurance Policy. Any ratings assigned to the Series 1999 Bonds and an explanation of their significance may be obtained from the rating agency furnishing such rating. Such ratings reflect only the respective views of the rating agencies.

The City has furnished the Bond Insurer and the rating agencies with certain information and materials relating to the Series 1999 Bonds and the City that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Neither the City nor the Underwriters have undertaken any responsibility to bring to the attention of the owners of the Series 1999 Bonds any proposed revision or withdrawal of the rating of the Series 1999 Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Series 1999 Bonds.

### **DISCLOSURES PURSUANT TO FLORIDA'S DEPARTMENT OF BANKING AND FINANCE**

Regulations of the Florida Department of Banking and Finance require that offering circulars for state and local government bonds sold in initial offerings to the general public in Florida set forth detailed information about any bonds of the issuer which are or have been in default (whether or not the default relates to the bonds being sold). Information which is believed not to be material may, nevertheless, be deleted if the reason for the deletion is set forth in the offering circular.

In June 1994, the City issued \$106,575,000 principal amount of Skyway Toll Bridge Refunding Revenue Bonds, Series 1994 to provide funds to redeem on July 1, 1994 all of the City's \$90,195,000 outstanding principal amount of Calumet Skyway Toll Bridge Revenue Bonds issued in 1955 and 1957 (the "Prior Skyway Bonds"). The Prior Skyway Bonds were issued to finance construction of an elevated toll bridge (the "Skyway") owned and operated by the City and were payable solely from net revenues of the Skyway. Skyway net revenues were insufficient to fund fully certain accounts, including the sinking fund account, under the applicable bond ordinances and prior to July 1, 1989 were insufficient to enable interest on the Prior Skyway Bonds to be paid on a current basis. Bondholder litigation relating to the Prior Skyway Bonds was dismissed following the redemption of the Prior Skyway Bonds. In the view of the City, further information concerning the Prior Skyway Bonds or the related litigation is not material to the sale of the Series 1999 Bonds.

The City has from time to time issued vouchers and special assessment bonds (the "Special Assessment Bonds") to finance the construction of certain public improvements. Such Special Assessment Bonds do not constitute general obligations of the City and are payable solely from the collection of special assessments or special taxes levied against properties benefitted by the public improvements. On September 5, 1991, a class action suit was filed in the Chancery Division of the Circuit Court of Cook County, Illinois (the "Court") seeking an accounting of all special assessment collections and disbursements related to such Special Assessment Bonds and asking for damages from the City for any amount for which disbursement was not properly made. The Court certified a class of all owners of Special Assessment Bonds issued before January 1, 1940. The parties have reached a settlement of all claims raised by the lawsuit and that agreement was given final approval by the Court. Under the terms of the settlement, the City has agreed to distribute the approximately \$400,000 that it has collected for payment of Special Assessment Bonds issued before January 1, 1940. In the view of the City, further information with respect to the Special Assessment Bonds or this litigation is not material to the sale of the Series 1999 Bonds.

In addition, the City has issued industrial development bonds and multifamily housing revenue bonds for the benefit of private users that are payable primarily or entirely from payments made by such users. The City makes no representation as to whether or not any such bonds are in default. In the view of the City, disclosure of defaults of industrial development bonds or multifamily housing revenue bonds, if any, would not be appropriate or material to the sale of the Series 1999 Bonds.

### **SECONDARY MARKET DISCLOSURE**

The City will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Series 1999 Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "1934 Act").

The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below.

A failure by the City to comply with the Undertaking will not constitute a default under the Series 1999 Bonds, the Ordinance or the Indenture and beneficial owners of the Series 1999 Bonds are limited to the remedies described in the Undertaking. See "—Consequences of Failure of the City to Provide Information" under this caption. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 1999 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 1999 Bonds and their market price.

The following is a brief summary of certain provisions of the Undertaking of the City and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the City.

#### **Annual Financial Information Disclosure**

The City covenants that it will disseminate its Audited Financial Statements (as described below) to each Nationally Recognized Municipal Securities Information Repository (a "NRMSIR") then recognized by the SEC for purposes of the Rule and to any public or private repository designated by the State as the state depository (the "SID") and recognized as such by the SEC for purposes of the Rule. The City is required to deliver such information so that such entities receive the information by the date specified in the Undertaking (within 210 days after the end of the City's fiscal year - currently December 31). "Audited Financial Statements" means the audited financial statements with respect to the Series 1999 Bonds, the Near South Project Area, the Incremental Taxes and the other Pledged Revenues prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time.

#### **Events Notification; Material Events Disclosure**

The City covenants that it will disseminate to each NRMSIR or to the Municipal Securities Rulemaking Board (the "MSRB") and to the SID, if any, in a timely manner the disclosure of the occurrence of an Event (as described below) that is material, as materiality is interpreted under the 1934 Act. The "Events," certain of which may not be applicable to the Series 1999 Bonds, are:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;
7. modifications to rights of security holders;
8. bond calls;
9. defeasance;
10. release, substitution or sale of property securing repayment of the securities; and
11. rating changes.

### **Consequences of Failure of the City to Provide Information**

The City shall give notice in a timely manner to each NRMSIR or to the MSRB and to the SID, if any, of any failure to provide disclosure of Audited Financial Statements when the same are due under the Undertaking.

The City is in compliance with undertakings previously entered into by it pursuant to the Rule. In the event of a failure of the City to comply with any provision of the Undertaking, the beneficial owner of any Series 1999 Bond may seek mandamus or specific performance by court order to cause the City to comply with its obligations under the Undertaking. The Undertaking provides that any court action must be initiated in the Circuit Court of Cook County, Illinois. A default under the Undertaking shall not be deemed a default under the Series 1999 Bonds, the Ordinance or the Indenture, and the sole remedy under the Undertaking in the event of any failure of the City to comply with the Undertaking shall be an action to compel performance.

### **Amendment; Waiver**

Notwithstanding any other provision of the Undertaking, the City may amend the Undertaking, and any provision of the Undertaking may be waived, if:

- (a) (i) the amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City or type of business conducted;
  - (ii) the undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
  - (iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Series 1999 Bonds, as determined by parties unaffiliated with the City (such as the Trustee or co-bond counsel); or
- (b) the amendment or waiver is otherwise permitted by the Rule.

### **Termination of Undertaking**

The Undertaking shall be terminated if the City shall no longer have any legal liability for any obligation on or relating to repayment of the Series 1999 Bonds under the Indenture. If this provision is applicable, the City shall give notice in a timely manner to each NRMSIR or to the MSRB and to the SID, if any.

### **Additional Information**

Nothing in the Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Audited Financial Statements or notice of occurrence of a material Event, in addition to that which is required by the Undertaking. If the City chooses to include any information in any Audited Financial Statements or notice of occurrence of a material Event in addition to that which is specifically required by the Undertaking, the City shall have no obligation under the Undertaking to update such information or include it in any future Annual Financial Statements or notice of occurrence of a material Event.

### **MISCELLANEOUS**

The summaries or descriptions in this Official Statement of provisions in the Ordinance, the Indenture, the Near South Redevelopment Plan, the City's planning documents and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions and do not constitute complete statements of such documents or provisions. Reference is made to the complete documents relating to such matters for further information.

Any statement made in this Official Statement indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith. There is no assurance that the facts will materialize as so opined or estimated.

The City has authorized the distribution of this Official Statement.

This Official Statement has been duly executed and delivered by the Chief Financial Officer of the City on behalf of the City.

CITY OF CHICAGO

By: /s/ Walter K. Knorr  
Chief Financial Officer

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**APPENDIX A**  
**CERTAIN DEFINITIONS**

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## APPENDIX A

### CERTAIN DEFINITIONS

"Act" means the Tax Increment Allocation Redevelopment Act of the State of Illinois, Division 74.4 of Article 11 of the Illinois Municipal Code, 65 ILCS 5/11-74.4-1, *et seq.*, as amended and supplemented from time to time.

"Additional Bonds" means any bonds issued in the future pursuant to the Indenture on a parity with and sharing ratably and equally in the Pledged Revenues with the Bonds.

"Annual Debt Service Requirement" means, with respect to any Bond Year, the aggregate of the Principal and Interest Requirements for such Bond Year.

"Authorized Denominations" means (i) as to the Series 1999 Bonds, \$5,000 and any integral multiple thereof and (ii) as to any other Series of Bonds, such denominations as may be specified in the Supplemental Indenture authorizing such Series of Bonds.

"Authorized Officer" means the Mayor, the Chief Financial Officer or any other officer or employee of the City authorized to perform specific acts or duties under the Indenture by ordinance or resolution duly adopted by the City Council.

"Average Annual Debt Service Requirement" means, as of any date of calculation, the mathematical mean of the Annual Debt Service Requirements for all Outstanding Bonds.

"Bond" or "Bonds" means any bond or bonds, including any Additional Bonds or Refunding Bonds, authenticated and delivered under and pursuant to the Indenture, other than Junior Lien Obligations.

"Bond Insurance Policy" means any municipal bond new issue insurance policy insuring and guaranteeing the payment of the principal of and interest on a Series of Bonds or certain maturities thereof as may be provided in the Supplemental Indenture authorizing such Series.

"Bond Insurer" means any Person authorized under law to issue a Bond Insurance Policy.

"Bond Year" means the initial period beginning on the date of original issuance and delivery of the Series 1999 Bonds and ending on November 15, 1999, and thereafter each 12-month period commencing on November 16 of each calendar year and ending on November 15 in the next succeeding calendar year.

"Business Day" means any day which is not a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the city where the principal corporate trust office of any Fiduciary is located are authorized by law or executive order to close (and such Fiduciary is in fact closed).

"Certified Initial Equalized Assessed Value" equals, in the aggregate, \$128,812,758 as certified by the Clerk of the County of Cook, Illinois in accordance with Section 11-74.4-9 of the Act.

"Chief Financial Officer" means the Chief Financial Officer of the City appointed by the Mayor of the City or, if there is no such officer then holding said office, the City Comptroller.

"City" means the City of Chicago, a municipality and home rule unit of local government under the Constitution and the laws of the State.

"City Council" means the governing body of the City as from time to time established.

"Code and Regulations" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

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"Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys of recognized standing in the area of law to which the opinion relates, who may be counsel to the City (including the Corporation Counsel of the City).

"Credit Bank" means, as to any particular Series of Bonds, the Person (other than a Bond Insurer) providing a Credit Facility, as may be provided in the Supplemental Indenture authorizing such Series.

"Credit Facility" means, as to any particular Series of Bonds, a letter of credit, a line of credit, a guaranty, a standby bond purchase agreement or other credit or liquidity enhancement facility, other than a Bond Insurance Policy, as may be provided in the Supplemental Indenture authorizing such Series.

"Debt Reserve Credit Instrument" means, as to any particular Series of Bonds, an insurance policy or bond that guarantees or assures the timely payment of principal and interest, or both, on Outstanding Bonds in a stated amount subject only to notification that there are insufficient funds therefor. This definition shall also include any related covenants or agreements contained in any agreement with the insurer in order to obtain the policy.

"Debt Service Reserve Requirement" means (i) with respect to the Series 1999 Bonds, an amount equal to the lesser of (A) 10 percent of the original principal amount of the Series 1999 Bonds, (B) the Maximum Annual Debt Service Requirement or (C) 125 percent of the Average Annual Debt Service Requirement and (ii) with respect to any other Series of Bonds, the amount, if any, as shall be required to be maintained in the applicable Sub-Account of the Reserve Account established by the terms of the Supplemental Indenture authorizing such Series of Bonds.

"Defeasance Obligations" means (i) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (ii) of this definition), or (ii) direct obligations of (including obligations issued by book-entry form on the books of) the Department of the Treasury of the United States of America.

"Depository" means any bank, national banking association or trust company having capital stock, surplus and retained earnings aggregating at least \$1,000,000, selected by an Authorized Officer as a Depository of moneys and securities held under the provisions of the Indenture, and may include the Trustee.

"Event of Default" means any event so designated and specified in the Indenture.

"Fiduciary" or "Fiduciaries" means the Trustee, the Registrar, the Paying Agents and any Depository, or any or all of them, as may be appropriate.

"Fiscal Year" means the period January 1 through December 31 of the same year.

"Government Obligations" means (i) any direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America; and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition, (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian; (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any Person claiming through the custodian, or any person to whom the custodian may be obligated.

"Incremental Taxes" means the ad valorem taxes, if any, arising from the tax levies upon taxable real property in the Near South Project Area by any and all taxing districts or municipal corporations having the power to tax real property in the Near South Project Area, which taxes are attributable to the increase in the then current equalized assessed valuation of each taxable lot, block, tract or parcel of real property in the Near South Project Area over and above the Certified Initial Equalized Assessed Value of each such piece of property.

"Incremental Taxes Fund" means the Near South Project Area Special Tax Allocation Fund of the City, a special tax allocation fund for the Near South Project Area established pursuant to Section 11-74.4-8 of the Act and

originally created by an ordinance adopted by the City Council of the City on November 28, 1990 as continued and further described in the Indenture.

"Indenture" means the Trust Indenture, dated as of February 1, 1999, by and between the City and the Trustee, as from time to time amended and supplemented by Supplemental Indentures executed and delivered by the City and the Trustee in accordance therewith.

"Interest Commencement Date" means with respect to any Capital Appreciation and Income Bond, the date specified in the Supplemental Indenture authorizing the issuance of such Bond (which date must be prior to the maturity date for such Capital Appreciation and Income Bond) after which interest accruing on such Capital Appreciation and Income Bond shall be payable periodically, with the first such payment date being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date,

"Interest Payment Date" means (i) with respect to the Series 1999 Bonds, May 15 and November 15 of each year, commencing May 15, 1999 and (ii) with respect to any other Series of Bonds, any date on which interest on such Series of Bonds is payable as established in the Supplemental Indenture authorizing such Series.

"Interest Period" means the period from the date of the Bonds of any Series to and including the day immediately preceding the first Interest Payment Date and thereafter shall mean each period from and including an Interest Payment Date to and including the day immediately preceding the next Interest Payment Date.

"Interest Requirement" for any Bond Year or any Interest Period, as the context may require, as applied to Bonds of any Series then Outstanding, shall mean the total of the sums that would be deemed to accrue on such Bonds during such Bond Year or Interest Period if the interest on the Bonds of such Series were deemed to accrue daily during such year or Interest Period in equal amounts; provided, however, that interest expense shall be excluded from the determination of Interest Requirement to the extent that such interest is to be paid (a) from the proceeds of Bonds allocable to the payment of such interest as provided in the Supplemental Indenture authorizing the issuance of such Bonds or other available moneys or from investment (but not reinvestment) earnings thereon if such proceeds shall have been invested in Investment Securities and to the extent such earnings may be determined precisely or (b) from investment earnings on deposit in the Reserve Account to the extent any such earnings may be determined precisely. Unless the City shall otherwise provide in a Supplemental Indenture, interest expense on Credit Facilities drawn upon to purchase but not to retire Bonds, except to the extent such interest exceeds the interest otherwise payable on such Bonds, shall not be included in the determination of Interest Requirement. If interest is not payable at a single numerical rate for the entire term of such Bonds, then "Interest Requirement" shall have the appropriate meaning assigned thereto by the Supplemental Indenture authorizing such Bonds.

"Investment Securities" means any of the following securities authorized by law as permitted investments of City funds at the time of purchase thereof:

(i) Government Obligations;

(ii) bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Government National Mortgage Association, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Export-Import Bank, Federal Financing Bank, Resolution Funding Corporation and Student Loan Marketing Association;

(iii) investments in a money market fund registered under the Investment Company Act of 1940, as amended (including any such money market fund sponsored by or affiliated with any Fiduciary), comprised of any of the investments set forth in subparagraph (i) or subparagraph (ii) above;

(iv) negotiable or non-negotiable certificates of deposit or time deposits or other banking arrangements issued by any bank, trust company or national banking association (including any Fiduciary), which certificates of deposit or time deposits or other banking arrangements shall be continuously secured or collateralized by obligations described in subparagraphs (i), (ii) or (iii) of this definition, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such

certificates of deposit or time deposits or other banking arrangements and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit or time deposits or other banking arrangements, which certificates of deposit or time deposits or other banking arrangements acquired or entered into pursuant to this subparagraph (iv) shall be deemed for purposes of the Indenture to constitute investments and not deposits;

(v) repurchase agreements with any bank, trust company or national banking association (including any Fiduciary) or government bond dealer reporting to the Federal Reserve Bank of New York continuously secured or collateralized by obligations described in subparagraph (i) of this definition which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amortized value of such repurchase agreements, provided such security or collateral is lodged with and held by the Trustee or the City as title holder, as the case may be;

(vi) public housing bonds issued by public housing authorities or by other political subdivisions or bodies politic and corporate so authorized, fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; and project notes issued by public housing authorities or by other political subdivisions or bodies politic and corporate so authorized, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(vii) investment agreements which represent the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution, in either case that has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the two highest rating categories by each of the Rating Agencies; and

(viii) any other securities authorized for investment of City funds by Article VI of Chapter 2-32 of the Municipal Code of Chicago (1990), as from time to time amended.

"Junior Lien Obligations" means any bonds or other obligations permitted to be issued pursuant to the Indenture which are subordinate to the pledge of the Pledged Revenues for the Bonds.

"Maximum Annual Debt Service Requirement" means, as of any date of calculation, the largest Annual Debt Service Requirement occurring in the then current and all succeeding Bond Years.

"Ordinance" means the ordinance duly adopted by the City Council of the City on November 18, 1998 authorizing the Indenture and the Series 1999 Bonds.

"Outstanding," when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Indenture except:

(i) Any Bonds canceled by the Trustee at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys and/or Defeasance Obligations, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or date fixed for redemption, are held in trust under the Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date); provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture; and

(iv) Bonds deemed to have been paid as provided in the Indenture.

"Owner" means any Person who shall be the registered owner of any Bond or Bonds.

"Paying Agent" means any bank, national banking association or trust company designated by an Authorized Officer as paying agent for the Bonds of any Series, and any successor or successors appointed by an Authorized Officer under the Indenture.

"Payment Date" means any Interest Payment Date or Principal Payment Date.

"Person" means and includes an association, unincorporated organization, a corporation, a partnership, a limited liability corporation, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity, or a natural person.

"Pledged Revenues" means Incremental Taxes and any other revenues from any source whatsoever designated to pay principal of, premium, if any, or interest on the Bonds, including, without limitation, amounts on deposit in and pledged to various funds and accounts (other than the Program Expenses Account and the Rebate Account) as provided in the Indenture, together with interest earnings thereon.

"Principal" or "principal" means the principal amount of such Bond payable in satisfaction of a Sinking Fund Installment, if applicable, or at maturity.

"Principal Payment Date" means (i) with respect to the Series 1999 Bonds, November 15 of the years set forth on the cover page of this Official Statement and (ii) with respect to any other Series of Bonds, the date upon which the principal of any Bond of such Series is stated to mature or the date upon which the principal of any Term Bond of such Series is subject to redemption in satisfaction of a Sinking Fund Installment as established in the Supplemental Indenture authorizing such Series.

"Principal and Interest Requirements" means, for any Bond Year, the amount equal to the sum of (i) all principal (including mandatory sinking fund redemption payments) on Current Interest Bonds in such Bond Year, (ii) the Compound Accreted Value due with respect to any Capital Appreciation Bonds in such Bond Year, (iii) the Interest Requirement and (iv) all principal and interest and all Compound Accreted Value due with respect to any Additional Bonds in such Year.

"Program Expenses" means, in any Bond Year, all initial and ongoing administrative expenses related to or incurred in connection with the Bonds, including, specifically, (i) the sum necessary to pay all rating agency surveillance fees and costs and expenses of any Trustee, registrar or paying agent, (ii) the expected annual fees or premiums of any issuer or provider of any Credit Facility or Debt Reserve Credit Instrument with respect to the Bonds, which expected annual fees may include additional amounts owing to such issuer or provider pursuant to any reimbursement or other agreement, other than reimbursement obligations arising from any draw or payment under such Credit Facility and other than payments on the Bonds, (iii) fees related to the calculation or verification of any required payment to the United States of America pursuant to Section 148(f) of the Code, and (iv) auditing fees incurred in connection with the preparation of the financial statements required pursuant to the Indenture; but excluding, specifically, expenses of the City relating specifically to the administration of the Project.

"Project" means the redevelopment project approved by the Near South Redevelopment Plan.

"Project Costs" means those costs included in the definition of "Redevelopment Project Costs" in the Act as in effect on the effective date of the Indenture and shall include any costs added to the definition of "Redevelopment Project Costs" in the Act from time to time after the effective date of the Indenture and shall also include the purpose set forth in 65 ILCS 5/11-74.4-4(q); in no event, however, shall the removal of a cost from the definition of "Redevelopment Project Costs" from and after the effective date of the Indenture cause such cost not to be a "Project Cost" within the meaning of the Indenture.

"Project Fund" means the Project Fund established in the Indenture.

"Qualified Swap Agreement" means an agreement between the City and Swap Provider under which the City agrees to pay the Swap Provider an amount calculated at an agreed-upon rate or index based upon a notional amount and the Swap Provider agrees to pay the City for a specified period of time an amount calculated at an agreed-upon rate or index based upon such notional amount, where (i) each Rating Agency (if such Rating Agency also rates the unsecured

obligations of the Swap Provider or its guarantor) has assigned to the unsecured obligations of the Swap Provider, or the Person who guarantees the obligations of the Swap Provider to make its payments to the City, as of the date the swap agreement is entered into, a rating that is equal to or higher than the rating then assigned to the Bonds by such Rating Agency (without regard to Bond Insurance or any other Credit Facility), and (ii) the City has notified each Rating Agency (whether or not such rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) in writing, at least 15 days prior to executing and delivering the swap agreement, of its intention to enter into the swap agreement and has received from such Rating Agency a written indication that the entering into the swap agreement by the City will not, in and of itself, cause a reduction or withdrawal by such Rating Agency of its rating on the Bonds.

"Rating Agencies" means each and every one of the nationally recognized rating services that shall have assigned ratings to any Bonds Outstanding as requested by or on behalf of the City, and which ratings are then currently in effect.

"Record Date" means (i) with respect to the Series 1999 Bonds, May 1 and November 1 of each year and (ii) with respect to any other Series of Bonds, the date established as the record date with respect to an Interest Payment Date for such Series of Bonds in the Supplemental Indenture authorizing such Series.

"Redemption Price" means, with respect to any Bond, the Principal thereof plus the applicable premium, if any, payable upon the date fixed for redemption.

"Refunding Bonds" means all Bonds issued pursuant to the Indenture for the purpose of refunding and/or retiring Bonds.

"Registrar" means any bank, national banking association or trust company appointed by an Authorized Officer under the Indenture and designated as registrar for the Bonds of any Series, and its successor or successors.

"Serial Bonds" means the Bonds of a Series which shall be stated to mature in annual installments.

"Series" means all of the Bonds designated as a series and authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Sinking Fund Installment" means with respect to any Series of Bonds, each principal amount of Bonds scheduled to be redeemed through sinking fund redemption provisions of a Supplemental Indenture creating such Series by the application of amounts on deposit in the Principal and Interest Account, established pursuant to the Indenture.

"SLG's" means United States Treasury Certificates of Indebtedness, Notes and Bonds State and Local Government Series.

"Supplemental Indenture" means any Supplemental Indenture of the City authorized pursuant to the Indenture.

"Swap Provider" means any counterparty with whom the City enters into a Qualified Swap Agreement.

"Tender Option" means any Bonds with respect to which the Owners thereof have the option to tender to the City, to any Fiduciary or to any agent thereof, all or a portion of such Bonds for payment or purchase; provided, that no Tender Option Bonds shall be issued unless (i) the City has notified each Rating Agency in writing of its intention to issue such Tender Option Bonds and (ii) each Rating Agency shall notify the City that the issuance of such Tender Option Bonds by the City will not, in and of itself, cause a reduction or withdrawal by such Rating Agency of its rating on the Bonds.

"Term Bonds" means the Bonds of a Series other than Serial Bonds which shall be stated to mature on one or more dates through the payment of Sinking Fund Installments.

"Treasurer" means the City Treasurer of the City.

"Trust Estate" means the Pledged Revenues and all other property pledged to the Trustee pursuant to the Indenture.

"Trustee" means Cole Taylor Bank, and any successor or successors appointed under the Indenture.

"Variable Rate Bonds" means any Bonds the interest rate on which is not established at the time of issuance thereof at a single numerical rate for the entire term thereof; provided, that no Variable Rate Bonds shall be issued unless (i) the City has notified each Rating Agency in writing of its intention to issue such Variable Rate Bonds and (ii) each Rating Agency shall notify the City that the issuance of such Variable Rate Bonds by the City will not, in and of itself, cause a reduction or withdrawal by such Rating Agency of its rating on the Bonds.



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**APPENDIX B**  
**CONSULTANT'S REPORT**

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ESTIMATE OF  
INCREMENTAL TAXES

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TAX INCREMENT ALLOCATION BONDS  
(NEAR SOUTH REDEVELOPMENT PROJECT)  
SERIES 1999A AND SERIES 1999B (TAXABLE)  
CHICAGO, ILLINOIS

Secured by  
Incremental Taxes  
Resulting from the

NEAR SOUTH  
REDEVELOPMENT PROJECT AREA

---

Prepared for  
the City of Chicago

Prepared by  
Trkla, Pettigrew, Allen & Payne, Inc.  
Chicago, Illinois

February 10, 1999

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## EXECUTIVE SUMMARY

In connection with the issuance of the City of Chicago Tax Increment Allocation Bonds (Near South Redevelopment Project) Series 1999A and Series 1999B (Taxable), (the "Bonds"), Trkla, Pettigrew, Allen & Payne, Inc. ("TPAP") has been engaged by the City to estimate potential Incremental Taxes that may be generated by the assessment and reassessment of land and improvements within the Near South Project Area based on the application of assumptions contained in this Report.

On November 28, 1990, the City of Chicago, Illinois (the "City") adopted the Central Station Area Tax Increment Financing Redevelopment Project and Plan (the "Original Area Redevelopment Plan") to provide for the redevelopment of approximately 127 acres located south of the Chicago Loop and generally bounded on the north by 11th Street, on the south by Cullerton Street, on the east by the western line of the Lake Shore Drive right-of-way, and on the west by Michigan Avenue (between 11th and 14th Streets), Indiana Avenue (between 14th and 16th Streets), and the Illinois Central Railroad right-of-way (between 16th and Cullerton Streets) (the "Original Project Area").

On August 3, 1994, the City adopted the Near South Tax Increment Financing Redevelopment Project and Plan (the "Near South Redevelopment Plan"), which incorporates and replaces the Original Area Redevelopment Plan, to provide for the continued redevelopment of the Original Project Area and the redevelopment of approximately 248 additional acres (the "Added Project Area"). The Added Project Area is located immediately west of the Original Project Area, and generally bounded on the north by Congress Parkway, on the south by 21st Street, on the west by State Street, and on the east by Michigan Avenue (between Congress Parkway and 14th Street), Indiana Avenue (between 14th and 16th Streets), the Illinois Central Railroad right-of-way (between 16th and 18th Streets) and Calumet Avenue (between 18th and 21st Streets).

The Original Area Redevelopment Plan and the Near South Redevelopment Plan were both adopted to overcome conditions of blight and obsolescence found throughout the approximately 375 acres contained within the Original Project Area and Added Project Area (collectively referred to as the "Near South Project Area" in this report), and to improve the economic and physical well-being of the City.

The Near South Project Area is generally located immediately south of Chicago's Loop business district; directly west of Lake Shore Drive, the Museum Campus containing the Field Museum of Natural History, John G. Shedd Aquarium, Adler Planetarium and Soldier Field; and immediately north and west of the McCormick Place Exposition facilities.

### Completed Improvements and Projects

Since 1990, many of the major redevelopment activities identified in the Original Area Redevelopment Plan and the Near South Redevelopment Plan have been successfully implemented. Significant public improvements were completed which stimulated new development, replacing the vacant railroad property which was the basis for the designation of the Original Project Area as a redevelopment project



area. The transformation of the vacant railroad property in a high quality residential neighborhood kindled new life and interest in the Near South Project Area.

In a matter of only a few years, the redevelopment success of the Original Project Area spread into the adjacent Added Project Area, stimulating the rehabilitation and conversion of numerous deteriorated and abandoned warehouse and commercial buildings into residential developments. Construction of new buildings also resulted on the scattered vacant sites present throughout the Near South Project Area.

The completed public improvements, which helped stimulate the private investment and development since 1990, generally consist of the construction of new roadways, sewers and parks. These public improvements are more fully described in Section 2, *Near South Redevelopment Plan Overview*.

The City issued tax allocation bonds in 1991 and 1994, respectively, to fund public infrastructure improvements and stimulate private investment in the Near South Project Area. The first issuance of bonds occurred in November 1991 in the aggregate principal amount of \$4,400,000. The second bond issuance occurred in December 1994 in the aggregate principal amount of \$23,000,000, the proceeds of which were used to defease the 1991 bonds and to fund additional public improvements. Prior to the issuance of the Series 1999 Bonds, \$23,000,000 in principal amount of the 1994 bonds remain outstanding (the "Outstanding Bonds"). The Outstanding Bonds, which are secured by Incremental Taxes resulting from the Near South Project Area, will be defeased with a portion of the proceeds of the Series 1999 Bonds.

The construction of the public infrastructure improvements financed with the proceeds of the bonds issued in 1991 and 1994 facilitated the construction of various completed private development projects. In summary, there are 18 completed private developments which include a total of 1,100 completed residential units and 8,000 square feet of retail space contained within one of the residential developments and one office development of 21,000 square feet. There are also 16 development projects currently under construction which include a total of 894 residential units, 40,000 square feet of office space within one of the residential developments, and two institutional developments, which are educational/cultural in nature. See Section II, *Near South Redevelopment Plan Overview*, for a more detailed description of these developments.

### **Proposed Developments**

In addition to the private developments which are either completed or under construction described above, there are a number of additional private developments proposed for development in the Near South Redevelopment Project Area, collectively referred to as the "Proposed Private Developments". The Proposed Private Developments are as follows: Cosmopolitan Lofts, Bank Note Place, Museum Place, Lakeside Square and One East 14th Place. These Proposed Private Developments are currently contemplated to be constructed by various private developers within the Near South Project Area. Additional detail on the aforementioned Proposed Private Developments can be found on page 20 of this Report.

The above referenced Proposed Private Developments have been identified for informational purposes only, and have not been utilized for the purpose of estimating future incremental tax revenue and are not intended to be funded through bond proceeds. **The estimates of future incremental tax revenue as discussed in more detail later in this report only include the value of development projects that have been**

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completed and the value of units within projects under construction that are closed or under contract.

Additionally, the City is currently contemplating certain additional public improvements and facilities to support the Proposed Private Developments. These contemplated improvements and facilities are referred to as the "Proposed Public Improvements", which are described in more detail in Section II, *Near South Redevelopment Plan Overview*.

## Scope of this Report

In connection with the issuance of the Bonds, Trkla, Pettigrew, Allen & Payne, Inc. ("TPAP") has been engaged by the City to estimate potential Incremental Taxes that may be generated by the assessment and reassessment of land and improvements within the Near South Project Area based on the application of assumptions contained in this Report.

Each year the Clerk of the County of Cook, State of Illinois (the "County Clerk") determines incremental property taxes separately for each tax code within TIF redevelopment project areas by aggregating the current equalized assessed value (the "EAV") of all parcels within such tax code and subtracting the aggregate certified initial EAV for such tax code. The resulting "increment" in EAV for such tax code is then multiplied by the aggregate tax rate of the taxing districts which extend taxes on the parcels within such tax code to determine the incremental property taxes generated within such tax code.

The Near South Project Area currently contains four Tax Codes. The estimates of Incremental Taxes for the Near South Project Area contained in this Report are based on the assumptions that the County Clerk will (i) maintain these separate Tax Codes for the Near South Project Area and (ii) determine Incremental Taxes separately for each such Tax Code. If the Cook County Clerk were to create additional Tax Codes within the Near South Project Area the effect could only be a positive one.

TPAP has relied upon information from various parties, including County officials and City officials, to estimate Incremental Taxes. No representations or assurances can be made that the receipt of Incremental Taxes will be realized at the levels estimated in this Report. The receipt of Incremental Taxes may be adversely impacted by future economic conditions, changes in law and other factors. The estimates of Incremental Taxes contained in this Report are based, in part, on certain stated assumptions regarding real estate market values and conditions in the Near South Project Area and in the taxing jurisdictions as a whole based on information provided by the County, the City and other sources. TPAP has not conducted any market feasibility study to determine real estate market values or conditions and consideration of such values or market conditions is outside the scope of TPAP's assignment.

The estimates of Incremental Taxes contained in this Report are also based upon numerous other assumptions included in this Report which TPAP believes are reasonable. TPAP offers no prediction or opinion regarding the ultimate correctness of such assumptions, any one or more of which may, if incorrect, adversely impact the receipt of Incremental Taxes. Section III, *Conditions of Findings*, contains a list of risks, any one or more of which may affect the receipt of Incremental Taxes. The estimates of Incremental Taxes contained in this Report assume that none of such risks will occur and, while such assumption is believed to be reasonable and such list of risks is believed to be complete, there is no assurance that such assumption or belief will prove to be correct or that there are no other risks that may affect the receipt of Incremental Taxes.

Prospective purchasers of the Bonds must make their own independent judgment as to whether the assumptions on which this Report is based are reasonable in light of the conditions of findings described in this Report. Additionally, any purchaser of the Bonds should review the risks set forth in the Official Statement (defined herein) of which this Report is a part.

Capitalized terms which are not defined in the text are defined in Section I, *Definitions*.

This Report, dated February 10, 1999, is TPAP's final Report. TPAP has no obligation to update this Report for any reason.

## Key Findings

TPAP's key findings are summarized below.

1. Estimated Incremental Taxes Attributable to Assessment and Reassessment of Land and Existing Improvements within the Near South Project Area.

Based on the assumptions contained in this Report (See Section IV. A-7), the assessment and reassessment of the land and improvements contained within the Near South Project Area is estimated to generate approximately \$167,875,000 in Incremental Taxes over the remaining fifteen-year life of the Near South Project Area ending November 28, 2013, ranging from \$5,561,000 in collection year 1998 to \$14,270,000 in collection year 2013.

2. Summary of Conclusions. Based on information provided by the various parties named in this Report and other findings discussed in this Report, the current assessment practices of Cook County, Illinois, existing State and local legislation regarding taxation of real property, and subject to the assumptions stated herein, TPAP is of the opinion that the estimated Incremental Taxes stated in this Report reasonably reflect levels of Incremental Tax revenues which can be achieved if the properties currently existing within the Near South Project Area remain economically viable over the life of the Bonds.

## I. DEFINITIONS

"**Act**" means the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1, *et seq.*, as amended and supplemented from time to time, and specifically as supplemented by the Local Government Debt Reform Act, 30 ILCS 350/1, *et seq.*

"**Added Project Area**" means the approximately 248 acres of land added to the Original Project Area in connection with the adoption of the Near South Redevelopment Plan which is generally bounded on the north by Congress Parkway, on the south by 21st Street, on the west by State Street, and on the east by Michigan Avenue (between Congress Parkway and 14th Street), Indiana Avenue (between 14th and 16th Streets), the Illinois Central Railroad right-of way (between 16th and 18th Streets) and Calumet Avenue (between 18th and 21st Streets)..

"**Assessor**" means the County Assessor.

"**AV**" means the County assessed valuation of real property.

"**Bonds**" means the City of Chicago Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 1999A and 1999B (Taxable), in the aggregate original principal amount of \$50,000,000 of the City for the furtherance of the Near South Redevelopment Plan.

"**Certified Initial EAV**" means, the EAV of all taxable real property within the Near South Project Area at the time the Near South Project Area Redevelopment Plan was adopted, which is the combined total of \$3,223,423 of Certified Initial EAV for the Original Project Area, plus \$125,589,335 of Certified Initial EAV for the Added Project Area, or a total of \$128,812,758 and which serves as the EAV base from which incremental EAV and Incremental Taxes are calculated.

"**City**" means the City of Chicago, Illinois.

"**County**" means Cook County, Illinois.

"**County Clerk**" means the Clerk of the County of Cook, State of Illinois.

"**CPI**" means the Consumer Price Index for All Urban Consumers for all items, published by the United States Department of Labor.

"**EAV**" means AV as equalized by the State Equalization Factor for the County.

"**FMV**" means the estimated Fair Market Value as determined by the Assessor for each taxable parcel.

---

**"Fund"** means the Special Tax Allocation Fund established by the City and required by State law to be maintained in connection with the Near South Redevelopment Plan for the receipt of Incremental Taxes.

**"General City Rate"** means the combined real estate tax rate of the following taxing agencies for a given year: the County of Cook, Cook County Forest Preserve District, Metropolitan Water Reclamation District, City of Chicago, Chicago Board of Education, School Finance Authority, Community College District #508 and Chicago Park District.

**"Incremental Tax" or "Incremental Taxes"** means (i) for each Tax Code within the Near South Project Area, the portion of property taxes generated from aggregate current EAV within such Tax Code over and above the Certified Initial EAV for such Tax Code as a result of the assessment and reassessment of land and existing improvements within such Tax Code, and (ii) the sum of the Incremental Taxes for all the Tax Codes within the Near South Project Area as described in clause (i) above.

**"Local Ordinances"** means, collectively, the Chicago Property Tax Limitation Ordinance and the Cook County Property Tax Relief Ordinance.

**"Near South Project Area"** means, collectively, the Original Project Area and the Added Project Area.

**"Near South Redevelopment Plan"** means the Near South Tax Increment Financing Redevelopment Project and Plan adopted by the City on August 3, 1994.

**"Official Statement"** means the document published by the City describing the Bonds, including material information on the Bonds, repayment of the Bonds, and the Near South Project Area.

**"Original Project Area"** means the approximately 127 acres of land designated by the City as the Central Station Tax Increment Redevelopment Project Area in connection with the adoption of the Central Station Tax Increment Redevelopment Plan and Project on November 28, 1990, which is generally bounded on the north by 11th Street, on the South by Cullerton Street, on the east by the southbound lanes of Lake Shore Drive (prior to its reconfiguration), and on the west by Michigan Avenue (between 11th and 14th Streets), Indiana Avenue (between 14th and 16th Streets), and the Illinois Central Railroad right-of way (between 16th and Cullerton Streets).

**"Original Area Redevelopment Plan"** means the Central Station Tax Increment Redevelopment Plan and Project adopted by the City on November 28, 1990.

**"Outstanding Bonds"** means the \$23,000,000 Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 1994A, of which \$ 23,000,000 is outstanding (prior to the issuance of the Bonds).

**"Proposed Private Developments"** means the possible private improvements which are contained within the following five developments: One East 14th Place, Bank Note Place, Cosmopolitan Lofts, Lakeside Square, and Museum Place at Central Station.

"**Redevelopment Project Costs**" means expenses estimated to be incurred in connection with the Near South Project Area and which are eligible for TIF financing in accordance with the Act.

"**Report**" means this report entitled *Estimate of Incremental Taxes*, prepared by TPAP.

"**State**" means the State of Illinois.

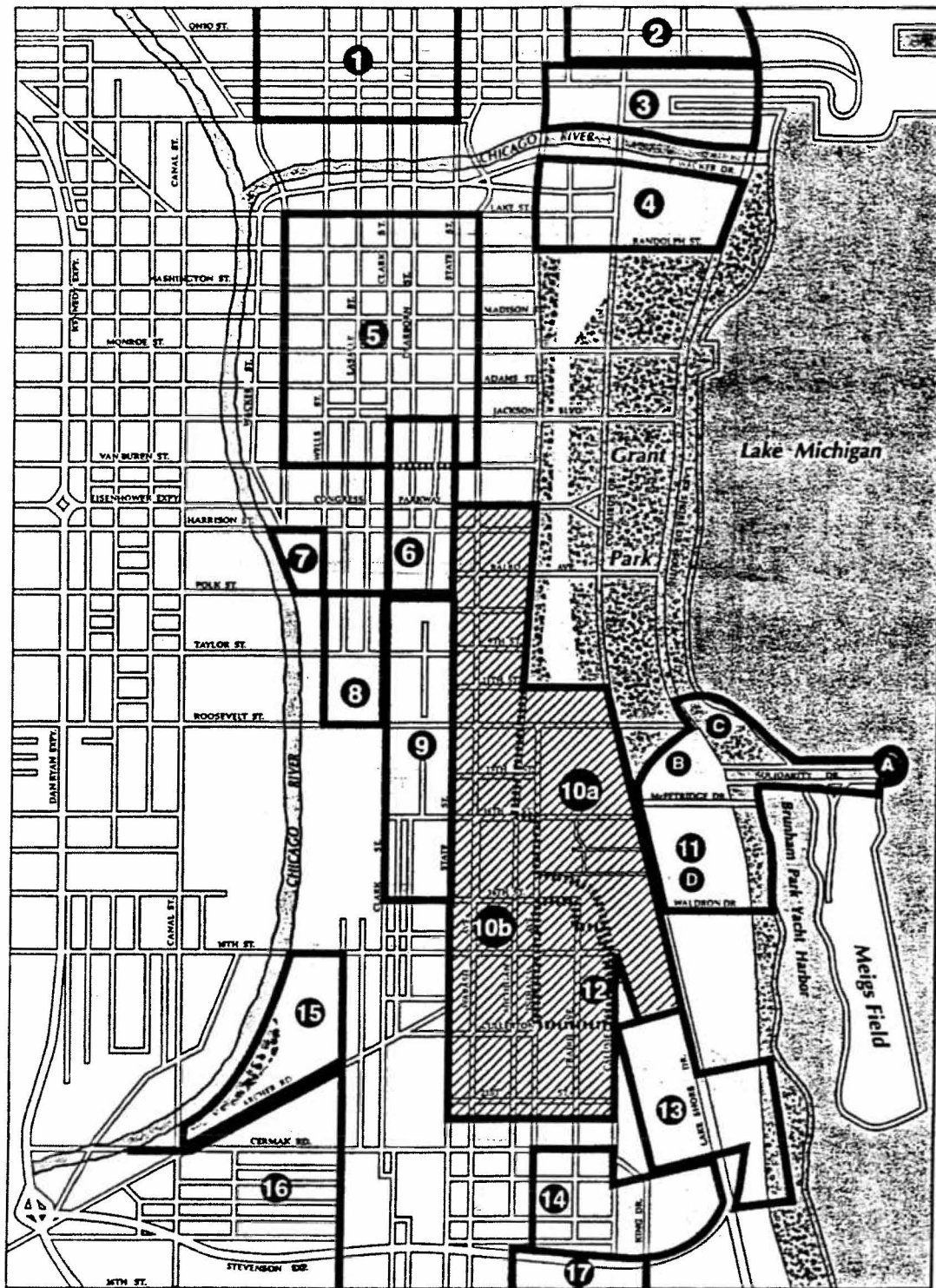
"**State Equalization Factor**" means a multiplication factor issued by the Illinois Department of Revenue to the County which is applied to AV and is designed to make all real estate valuations State-wide equal to 33-1/3 percent of FMV.

"**Tax Code**" means the five digit code assigned by the County to all tax parcels within the Near South Project Area which are subject to the same combination of taxing jurisdictions. The Tax Codes for the Near South Redevelopment Project Area are 76016, 76018, 76027 and 76516.

"**Tax Limitation Act**" means *Property Tax Extension Limitation Act, Public Act 87-17 (35 ILCS 245/1-1 et seq.)* of the State, as amended.

"**TIF**" means tax increment financing as described in the Act.

"**TPAP**" means Trkla, Pettigrew, Allen & Payne, Inc., located at 222 South Riverside Plaza, Chicago, Illinois.



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
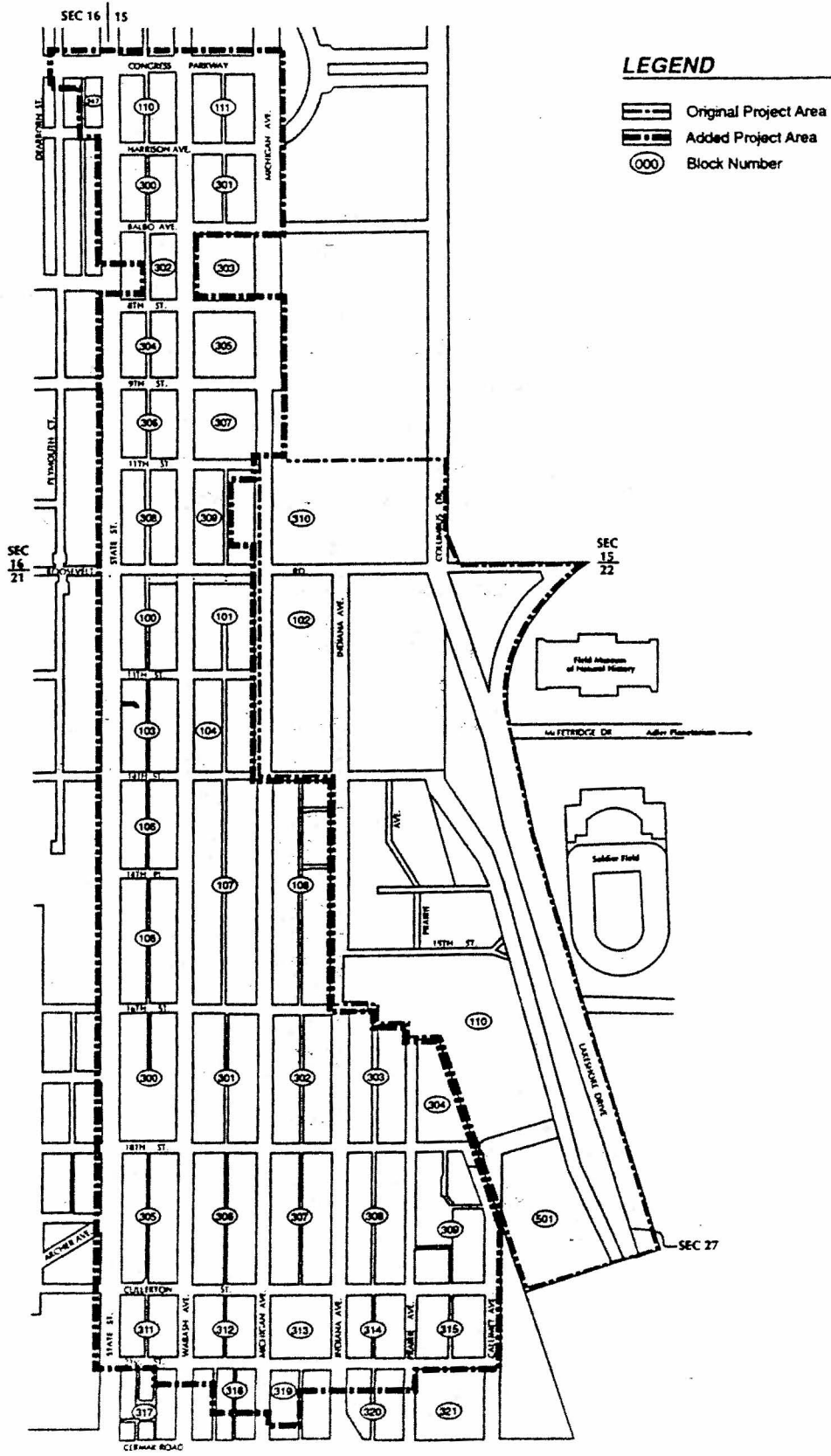
- |                      |   |                                     |  |
|----------------------|---|-------------------------------------|--|
| 1. River North       |  Near South Project Area | 14. McCormick Expansion             |  Open Space |
| 2. Streeterville     | 10a. Original Project Area  | 15. Chinatown Expansion             |  |
| 3. City Front Center | 10b. Added Project Area   | 16. Chinatown                       |  |
| 4. Illinois Center   | 11. Museum Campus   | 17. Mercy Hospital & Medical Center |  |
| 5. Loop              | A. Adler Planetarium  |                                     |  |
| 6. Printer's Row     | B. Field Museum of Natural History  |                                     |  |
| 7. Franklin Point    | C. Shedd Aquarium   |                                     |  |
| 8. LaSalle Park      | D. Soldier Field  |                                     |  |
| 9. Dearborn Park     | 12. Prairie Avenue Historical District  |                                     |  |
|                      | 13. McCormick Place I & II  |                                     |  |

Figure 1  
Redevelopment Project Area Setting

2/10/99 NORTH 





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


-  Original Project Area
-  Added Project Area
-  Block Number

Figure 2  
Near South Project Area & Tax Block Configuration

2/10/99 NORTH

**Near South Redevelopment Project Area** **City of Chicago, Illinois**

Tax Increment Financing

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

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## II. NEAR SOUTH REDEVELOPMENT PLAN OVERVIEW

On November 28, 1990, the City adopted the Original Area Redevelopment Plan to overcome conditions of blight and to improve the economic and physical well-being of the City. The Original Project Area containing 127 acres, is located south of the Chicago Loop and is generally bounded on the north by 11th Street, on the South by Cullerton Street, on the east by the southbound lanes of Lake Shore Drive (prior to its reconfiguration), and on the west by Michigan Avenue (between 11th and 14th Streets), Indiana Avenue (between 14th and 16th Streets), and the Illinois Central Railroad right-of way (between 16th and Cullerton Streets).

On August 3, 1994, the City adopted the Near South Redevelopment Plan to provide for the continued redevelopment of the Original Project Area and to overcome declining conditions and the threat of blight within the Added Project Area. The Added Project Area contains approximately 248 acres bounded on the north by Congress Parkway, on the south by 21st Street, on the west by State Street, and on the east by Michigan Avenue (between Congress Parkway and 14th Street), Indiana Avenue (between 14th and 16th Streets), the Illinois Central Railroad right-of way (between 16th and 18th Streets) and Calumet Avenue (between 18th and 21st Streets).

Figure 1, *Near South Redevelopment Project Area Setting*, illustrates the location of the Near South Project Area within Chicago's South Loop region, as well as the locations of other major developments or facilities within or near the South Loop region. Figure 2, *Near South Project Area and Tax Block Configuration*, illustrates the boundaries and County tax block configurations of the Near South Project Area. The total land area (including alleys and rights-of-way) within the Near South Project Area is approximately 375 acres.

According to the City of Chicago, distributions of Incremental Taxes resulting from the Near South Project Area for the 1997 assessment/levy year (collection year 1998, the most recent assessment/levy year for which collection and distribution data are available) total \$5,561,000 as of December 31, 1998.

### **Public Redevelopment Program**

Pursuant to the Act and the Near South Redevelopment Plan, the City has constructed and proposes to construct, or cause to be constructed, certain public infrastructure improvements and public facilities to stimulate private investment within the Near South Project Area. All or a portion of the proposed public improvements and public facilities are anticipated to be funded by the Bonds, Incremental Taxes not needed for debt service on the Bonds and possibly other available public funds, over the remaining life of the Near South Redevelopment Plan.

### *Completed Public Improvements and Facilities*

Listed below are the public infrastructure improvements and public facilities which have been constructed to help stimulate private investment into the Near South Project Area. These completed

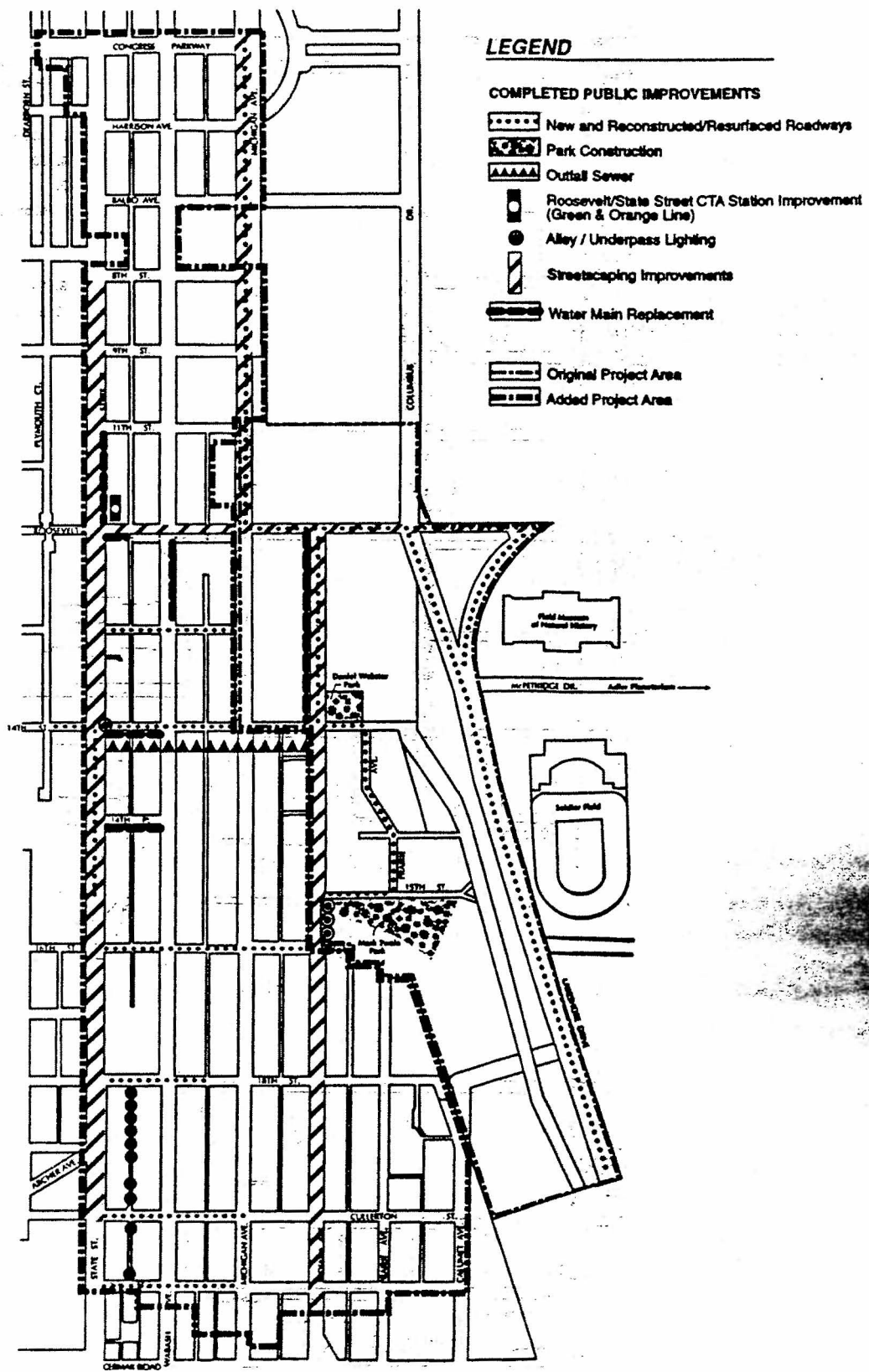
public infrastructure improvements are also illustrated in Figure 3, *Completed Public Improvements and Facilities*.

#### *Completed Public Improvements*

- The construction of Indiana Avenue from Roosevelt Road to 14th Street;
- The streetscaping of Indiana Avenue from Roosevelt Road to Cermak Road;
- The extension of Roosevelt Road from Michigan Avenue to Lake Shore Drive;
- Streetscaping of Roosevelt Road from State Street to Lake Shore Drive;
- The relocation of Lake Shore Drive west of the Museum Campus;
- The construction of the combined outfall sewer along 14th Street between Indiana Avenue and State Street;
- The construction of South Prairie Avenue between 14th and 15th Streets;
- Streetscaping of State Street from 8th Street to Cullerton Avenue;
- Reconstruction and streetscaping of Michigan Avenue from Congress Parkway to Roosevelt Road;
- Improvements to the Roosevelt/State Street CTA Green and Orange Line Elevated Train Station;
- The construction of 14th and 15th Streets from Indiana Avenue to South Prairie Avenue; and
- The construction of the Mark Twain Park and Daniel Webster Park.
- The resurfacing of 13th, 18th, 21st and Cullerton Streets, between State Street and Michigan Avenue.
- The resurfacing of 14th and 16th Streets between State Street and Indiana Avenue.
- Alley lighting west of Wabash Avenue between 18th and 21st Streets.
- Underpass lighting at 14th and State Streets and 16th Street and Indiana Avenue.
- Water main replacement along Wabash Avenue between Roosevelt Road and 13th Street, along Indiana Avenue between Roosevelt Road and 14th Street, along 14th Street between State Street and Wabash Avenue and along 14th Place between State Street and Wabash Avenue.

#### *Proposed Public Improvements and Facilities*

Figure 4, *Proposed Public Improvements and Facilities*, illustrates public infrastructure improvements and public facilities proposed to be undertaken by the City within the Near South Project Area to stimulate further private investment in the area. Proposed public improvements may include, but are not limited to: transit improvements, roadways and related improvements, streetscaping, parks and open space, utility improvements, property acquisition, site preparation, demolition and rehabilitation of existing buildings.



**LEGEND**

- COMPLETED PUBLIC IMPROVEMENTS**
- New and Reconstructed/Resurfaced Roadways
  - Park Construction
  - Outfall Sewer
  - Roosevelt/State Street CTA Station Improvement (Green & Orange Line)
  - Alley / Underpass Lighting
  - Streetscaping Improvements
  - Water Main Replacement
  - Original Project Area
  - Added Project Area

Figure 3  
Completed Public Improvements and Facilities

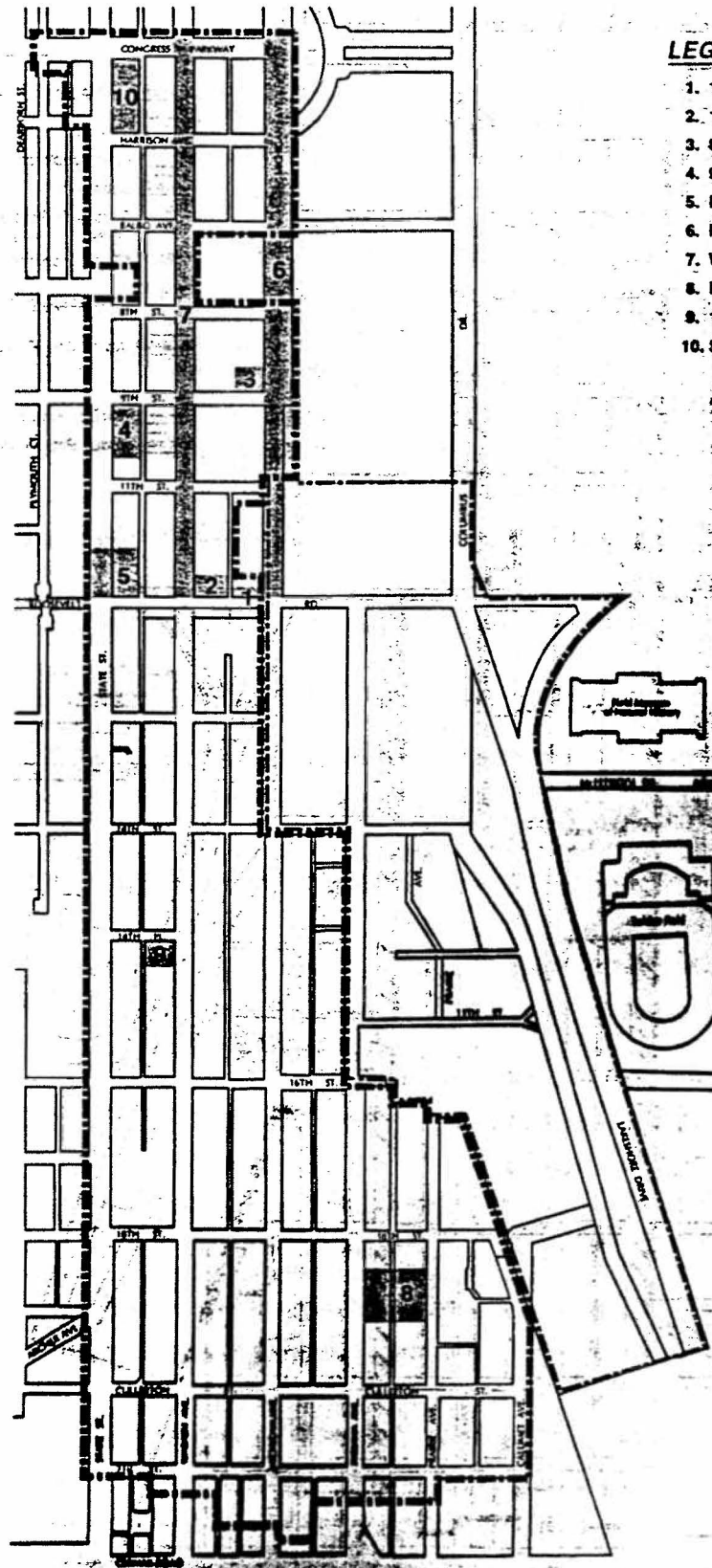
271090 NORTH

**Near South Redevelopment Project Area**

**City of Chicago, Illinois**

Tax Increment Financing

Prepared By: Trida, Pettigrew, Allen, & Payne, Inc.



**LEGEND**

- 1. 1146-54 S. Michigan Acquisition
- 2. 1147-57 S. Wabash Acquisition
- 3. 836 S. Michigan Acquisition
- 4. 901-1007 S. State Acquisition
- 5. Roosevelt/State CTA Connection
- 6. Michigan Avenue Streetscaping
- 7. Wabash Ave. Streetscaping
- 8. Hilary Rodham Clinton Park
- 9. 14th Place & Wabash Park
- 10. State/Congress Redevelopment

Figure 4  
Proposed Public Activities & Improvements

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## Private Development Program

Since the adoption of the Original Area Redevelopment Plan in 1990, there are numerous completed private development projects and many that are currently under construction. Table 1 below identifies the private development projects which have been completed. Table 2 identifies the private development projects which are currently under construction. Figure 5, *Completed and Under Construction Private Development Projects*, illustrates the location of these projects within the Near South Project Area.

In summary, the private developments projects in the Near South Project Area include a total of 1,100 completed residential units, 894 residential units under construction, 40,000 square feet of office space under construction and 8,000 square feet of retail space completed, contained within one of the residential development projects and two institutional developments, which are educational/cultural in nature. In addition there is a free-standing 21,000 square foot office building currently under construction.

Of the completed "for-sale" residential units, all the units have been closed or occupied and the completed rental units are occupied at a stabilized level for assessment purposes. Of the 687 "for-sale" residential units under construction, approximately 21% have been closed or occupied, 48% are under contract with a minimum 5% deposit of the purchase price, 3% are reserved with deposits and 28% are remaining to be committed. A total of 207 rental units are also under construction.

For each of the projects listed in Tables 1 and 2, TPAP has attained from each project developer a signed verification that the information TPAP collected on each development project is correct and to date. Such information includes status of project; average square feet per unit; average sales price per unit; and number and type of units closed, under contract, reserved with deposits, and units still remaining to be committed.

TABLE 1: COMPLETED PRIVATE DEVELOPMENT PROJECTS

	Project Name	Address	Total Units	Average Square Feet per Unit *	Average Sales Price or Rental Rate
1.	Park Row	14th St. & Indiana Ave	69	2,750	\$350,000
2.	Harbor Square Condos	14th St. & Indiana Ave	88	1,700	235,000
3.	Centennial Court Townhomes	14th St. & Indiana Ave	23	3,270	475,000
4.	Filmworks 1	1322 S. Wabash Ave	85	1,130	168,200
5.	Filmworks 2	1336-44 S. Wabash Ave	16	1,300	200,000
6.	East Side Lofts	1601 S. Indiana Ave	65	1,075	132,300
7.	East Side Townhomes	1600 S. Indiana Ave	9	2,065	160,000
8.	Trevi Square	1439 S. Michigan Ave	69	1,025	157,500
9.	Prairie Place Phase I	1427 S. Prairie Ave	45	2,875	432,900
10.	Senior Suites (Rental)	1400 S. Indiana Ave	96	486	548 per mo
11.	Prairie District Lofts (Rental)	1727 S. Indiana Ave	116	1,253	1,375 per mo
12.	11th Street Lofts (Rental)	1020 S. Wabash Ave	56	1,500	1,900 per mo
13.	11th Street Lofts Retail on Ground Floor	1020 S. Wabash Ave		8,000	
14.	Skyline Lofts	1601 S Michigan Ave	47	879	150,300
15.	Studebaker Lofts	1605 S. Michigan Ave	12	1,750	200,000
16.	Bicycle Station Lofts	1616 S. Indiana Ave	53	914	130,000
17.	Carriage House Lofts (Rental)	1545 S. State St.	81	1,080	1,130 per mo
18.	1801 Studios (SRO) (Rental)	1801 S. Wabash Ave	170	225	325 per mo

\* Average Square Feet is of all units within development.

TABLE 2: PRIVATE DEVELOPMENT PROJECTS UNDER CONSTRUCTION

	Project Name	Address	Total Units	Average Square Feet per Unit *	Estimated Average Sales Price
1.	Penthouse Lofts	1550 S. Indiana Ave	37	1,030	\$185,500
2.	Office at Penthouse Lofts	1550 S. Indiana Ave		40,000	
3.	Bicycle Station Townhomes	1616 S. Indiana Ave	10	1,780	284,300
4.	18th Street Lofts	1801 S. Michigan Ave	48	1,060	140,000
5.	18th Street Townhomes	1801 S. Michigan Ave	6	1,495	205,000
6.	1515 S Michigan Lofts and Townhomes	1515 S. Michigan Ave	60	1,070	106,000
7.	Michigan Avenue Lofts	910 S. Michigan Ave	267	802 - 6,002	154,900 - 1,420,000
8.	Columbia College	1014 S. Michigan Ave		20,000	tax exempt
9.	Prairie Place Phase II	1427 S. Indiana Ave	40	3,100	582,000
10.	Landmark on the Wabash	1516 S. Wabash Ave	76	1,090	176,800
11.	Tandem Lofts	1631 S. Michigan Ave	58	1,075	160,400
12.	South Loop Apartments (SRO) (Rental)	1521 S. Wabash Ave	207	220	285 per mo.
13.	Sewing Exchange Lofts	1840 S. Michigan Ave	24	925	132,000
14.	Sewing Exchange Townhomes	1840 S. Michigan Ave	13	1,810	227,500
15.	Michigan Avenue Gardens	1808-20 S. Michigan Ave	38	995	174,000
16.	Sherwood Music Conservatory	1312 S. Michigan Ave		20,000	tax exempt
17.	Parkview on Michigan	1142 S. Michigan Ave	10	3,000	658,5000
18.	Chicago Financial Technology	1556 S. Michigan Ave	3	7,000	

\* Average Square Feet is of all units within development.

The estimates of Incremental Taxes as discussed in more detail later in this Report only include the value of development projects that have been completed and the value of units within projects under construction that are closed or under contract. Completed projects are development projects having all units closed or occupied and units under contract require a minimum deposit of 5% of the purchase price by the prospective buyer. Of the development projects referenced in Table 1 and Table 2, the 1,100 completed residential units, 40,000 square feet of office space, the 8,000 square feet of retail space, and 681 of the 894 residential units under construction meet these criteria and were utilized in the calculation of future Incremental Taxes for the Near South Project Area. The 681 units under construction utilized in the estimates of Incremental Taxes include the 146 "for-sale" residential units closed or occupied, the 328 "for-sale" units under contract and the 207 "rental" units under construction. The remaining units under construction were not used in the estimates of Incremental Taxes and include



the 18 units which are reserved with deposits and the 195 units which are remaining to be committed. Within the 21,000 square foot free-standing office building, 14,000 square feet is currently being occupied and is therefore relied upon in the estimates of Incremental Taxes contained within this Report. The remaining 7,000 square feet was not included in the estimates.

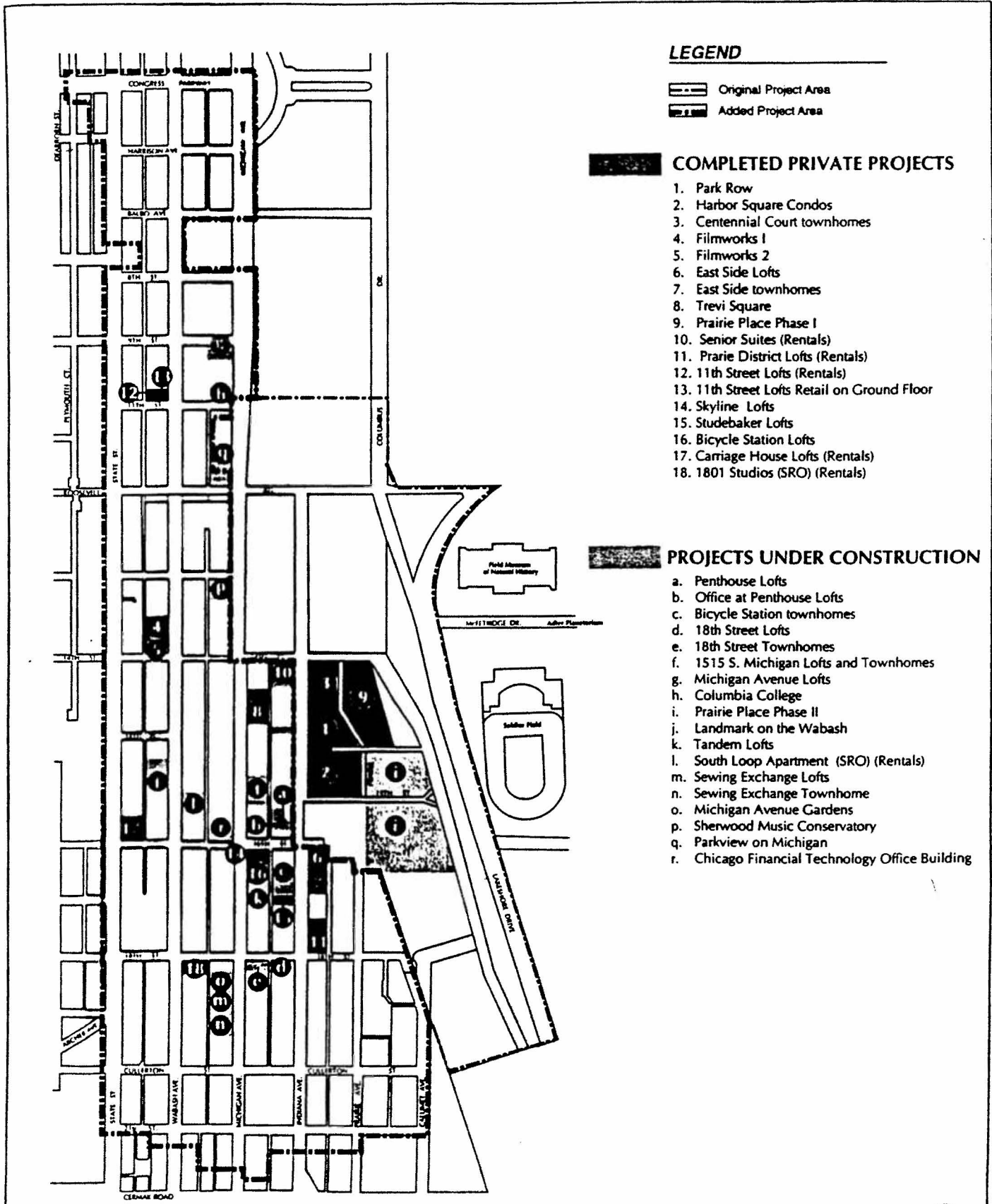


Figure 5  
 Completed and Under Construction Private Development Projects

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## *Proposed Private Development Projects*

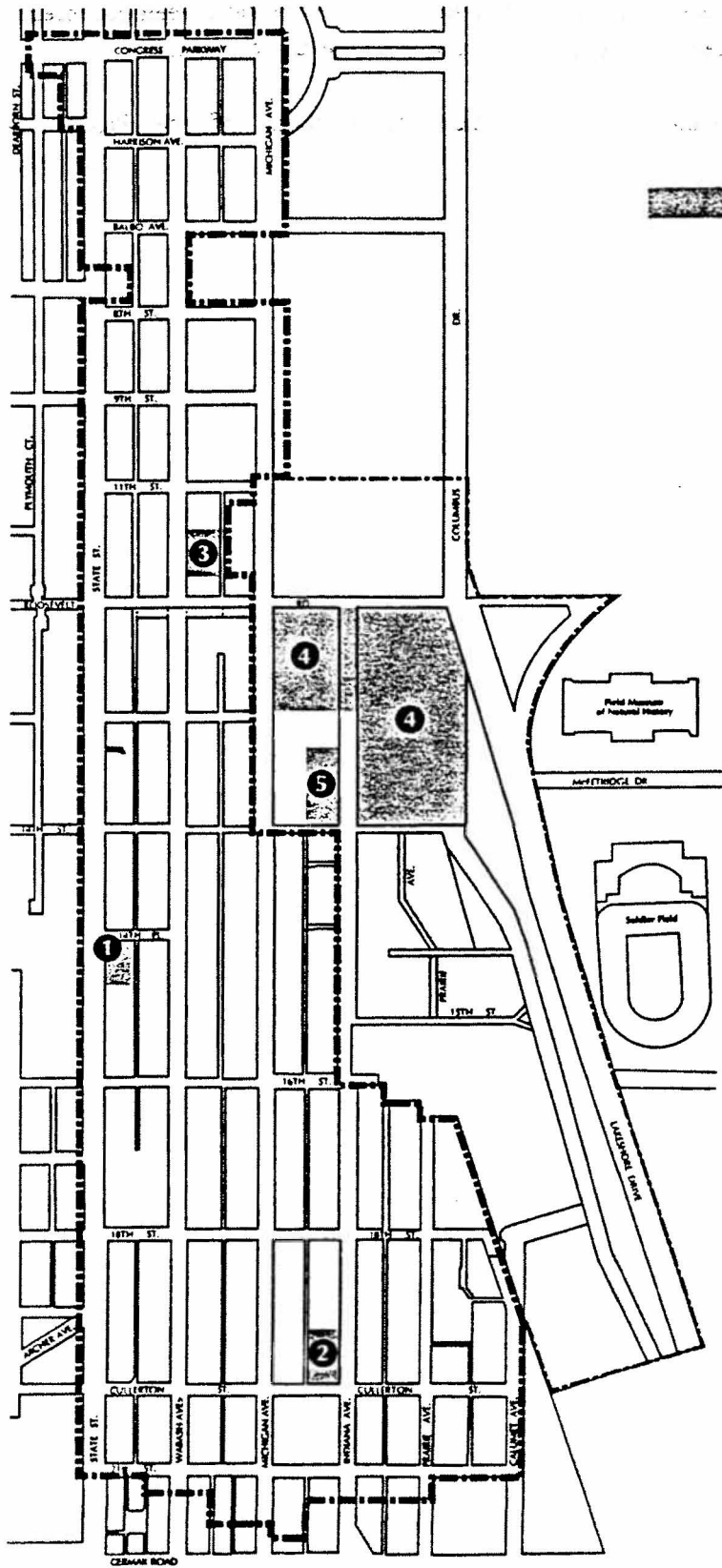
Proposed Private Developments. Summarized below are five proposed developments which may be undertaken as part of the Proposed Private Developments. These Proposed Developments are currently contemplated to be constructed within the Near South Project Area. For each of the projects listed below except for One East 14th Place, TPAP has attained from each project developer a signed verification that the information TPAP collected on each development project is correct and to date. Such information includes status of project; estimated date of occupancy, average square feet per unit; estimated sales price per unit; and number and type of units under contract, reserved with deposits, and units still remaining to be committed. TPAP was not able to attain a signed developer verification for One East 14th Place. Information for this development project was attained from the developer over the phone and from news articles in local newspapers.

- One East 14th Place. Ground has recently been broken and pre-construction work has begun for the new 17-story building developed by Legacy Development Group. The building will feature 96 new construction condos and a ground level retail market. The condos are priced from \$119,990 to \$267,990 and range between 783 to 1,595 square feet. All units are anticipated to be occupied by February 2000.
- Bank Note Place. Chrysalis LLC proposes to rehabilitate the former engraving factory at 1910 South Indiana Avenue. The developer has recently begun site prep work for the rehabilitation and conversion of the factory structures into 35 one to two bedroom residential condos with first year of occupancy in 1999. The residential condos will range from 700 to 1,350 square feet in size and the estimated sales price range from \$110,000 to \$280,000.
- Cosmopolitan Lofts. The Lyonhart Group proposes to rehabilitate the existing building located at 1131 South Wabash Avenue. According to the developer, the new building will feature 49 one to two bedroom residential condos. The construction is anticipated to begin in early 1999 with the first year of occupancy in August of 1999. The units range from 890 to 1,400 square feet in size and \$114,700 to \$259,700 in price.
- Lakeside Square. The development concept plan for the project has been approved by the City. The joint venture between Fogelson Properties, Inc., Forest City Enterprises, Inc. and Walsh Higgins Developers plans to develop the 26 acre site bounded by Roosevelt Street on the north, Columbus Drive on the east, Michigan Avenue on the west and 14th Street on the south. The development project is expected to include retail, office, a hotel, senior housing, and up to 4,100 residential units (rental and for-sale units).
- Museum Place at Central Station. Robin Construction Corporation proposes to construct a new 22 story residential condo building to be located at the northwest corner of 14th Street and Indiana Avenue. The building is planned to include 129 one, two, and three bedroom condo units. The units will range from 699 to 1,795 square feet in size and the sales price are expected to range for \$134,500 to \$499,500. Construction is expected to begin in 1999 with first year of occupancy in 2000.



The above referenced Proposed Private Developments have been identified for informational purposes only, and have not been utilized for the purpose of estimating Incremental Taxes and are not intended to be funded through bond proceeds. The estimates of Incremental Taxes as discussed in more detail later

**in this report only include the value of the development projects that have been completed or the value of units within projects under construction that are closed or under contract.**

Figure 6, *Proposed Private Developments*, illustrates the locations of the Proposed Private Developments.



**LEGEND**

-  Original Project Area
-  Added Project Area



**PROPOSED PRIVATE DEV. PROJECTS**

1. One East 14th Place
2. Bank Note Place
3. Cosmopolitan Lofts
4. Lakeside Square
5. Museum Place at Central Station

Figure 6  
Proposed Private Developments

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### III. CONDITIONS OF FINDINGS

TPAP was engaged by the City to prepare an estimate of Incremental Taxes that may be generated by increases in EAV and property taxes resulting from the assessment and reassessment of land and existing improvements within the Near South Redevelopment Project Area based on the application of the assumptions contained in this Report.

TPAP has relied on various assumptions outlined in Section IV, *Assumptions and Calculation of Incremental Taxes*. These assumptions are based on conclusions reached as a result of the review and analysis of information and data collected during the compilation of this Report. This information and data were provided by various parties, including the City, County, State and other sources. TPAP cannot assure, however, that this information and data are accurate, complete or reliable. However, nothing has come to the attention of TPAP that would cause TPAP to believe such information is inaccurate, incomplete or unreliable.

TPAP has not conducted any market feasibility study to determine the real estate market values and conditions which exist in the Near South Project Area. Consideration of real estate market values and conditions is outside the scope of TPAP's engagement. To the extent relevant, the estimates in this Report incorporate stated assumptions regarding such market values and conditions based on data obtained from County property tax records and private developers with projects within the Near South Project Area. It is the responsibility of the readers of this Report to ascertain whether the assumptions contained in this Report are reasonable, in light of local and regional market influences, and to determine their affect on EAV and Incremental Taxes. The receipt of Incremental Taxes may be adversely impacted by future economic conditions or changes in law, as well as other factors not considered in this Report, and TPAP cannot assure that the receipt of Incremental Taxes will be realized at the levels estimated in this Report.

The receipt of Incremental Taxes is dependent upon the continuing validity of the assumptions contained in this Report, including the assumption that none of the following conditions, actions or matters will occur. The occurrence of any one of such conditions described herein may materially and adversely affect the estimate of Incremental Taxes. Since these conditions are outside the control of TPAP and their occurrence and/or magnitude of occurrence cannot be predicted, TPAP has identified them as Bondholder risks to be considered. TPAP cannot determine the effect they may have on the estimates made in this Report and offers no opinion regarding possible outcomes.

1. Possible future actions by the State:

- a. Changes in the State Equalization Factor caused by a change in the County assessment rates or the method by which the State calculates this factor.
- b. Changes in legislation affecting the ability of the County to assess property by the assessment rates defined in the County's Property Classification Ordinance.

- c. Legislative changes in the level and method of providing assistance to local governments, which may affect local governments' reliance upon property tax revenues.
- d. Changes in the manner in which homeowner's or other property tax exemptions are applied to EAV which would affect the calculation of incremental EAV.
- e. Changes in the Tax Limitation Act which would further limit the ability of local governments to extend or increase property tax rates or levies.
- f. Changes in property tax laws which may affect or delay the timing or distribution of property taxes.
- g. Amendment or repeal of the Act resulting in the reduction or elimination of Incremental Taxes.

2. Possible future actions by the City:

Amendments to the Chicago Property Tax Limitation Ordinance or the enactment of any additional ordinances which may further restrict the ability of the City to extend or increase property tax levies.

3. Possible future actions by the County:

- a. Changes in the method of estimating the FMV of property in the County.
- b. Changes in the assessment rates contained in the Cook County Property Classification Ordinance and which are applied to the estimated FMV.
- c. Amendments to the Cook County Property Tax Relief Ordinance, or the enactment of any additional ordinances which may further restrict the ability of the County to extend or increase property tax levies.
- d. Failure of the County Treasurer to distribute Incremental Taxes in a timely manner to the City or its designated trustee.
- e. Failure to administer assessment and tax extension practices and procedures of the County in accordance with applicable law.
- f. Failure of the County Clerk to maintain the four separate Tax Codes listed in the Certified Initial EAV resulting in possible reductions of Incremental Taxes.
- h. Changes in the manner in which the County Clerk calculates incremental EAV or Incremental Taxes resulting in possible reductions of Incremental Taxes.

4. Possible future actions by other taxing districts:
  - a. Reductions in a taxing district's property tax levy for whatever reason, which may result in a reduction in the property tax rate and Incremental Taxes.
  
5. Possible future actions by taxpayers, property owners or tenants:
  - a. Failure of the current or future property owners and their managers, leasing agents or other professionals to maintain the economic viability of their property and to act promptly to replace tenants or sell their property to new occupants when the premises are vacated.
  - b. Filing for bankruptcy, which may result in the non-payment of real estate taxes, and may prevent unpaid taxes from being offered at the County's annual tax sale.
  - c. Successful application by one or more owners for the reduction of assessed value (the "AV") of a property below the levels assumed in this Report.
  - d. Successful application by one or more owners for the reduction of AV through any of the County's special assessment classifications designed to stimulate investment, the collective result of which may be a reduction in Incremental Taxes.
  - e. Failure to pay property taxes in a timely manner.
  - f. Conveyance of property by one or more owners to tax-exempt entities, the collective result of which may be a reduction in Incremental Taxes.
  - g. Challenging of the legal basis for expanding the Original Project Area through the Near South Redevelopment Plan which may affect or delay the timing or distribution of Incremental Taxes.
  - h. Challenges by taxpayers, owners or tenants to the legality of expenditures, contracts or other City actions relating to the Near South Project Area which could affect the collection, disbursement to the City and payment to Bondholders of Incremental Taxes.
  
6. General economic conditions:
  - a. Lower than historic inflationary growth in property values within the Near South Project Area, *i.e.*, below the inflation estimates assumed in this Report.
  - b. Real estate market conditions, rezoning, federal, state or local economic conditions, etc. may prevent or delay the sale or lease of property or the completion of the public redevelopment program, or reduce the values of real estate within the Near South Project Area below the values assumed in this Report.
  
7. Force majeure conditions:
  - a. Riots, civil disturbances, vandalism, fires, and natural disasters or other "acts of God" affecting the conditions and viability of properties within the Near South Project Area, which may reduce or eliminate the receipt of Incremental Taxes.



- b. Labor strikes, or shortages in materials or labor which may delay construction of a redevelopment project or reduce Incremental Taxes.
- c. Adverse environmental conditions which may render all or a portion of the Near South Project Area unusable.

#### IV. ASSUMPTIONS AND CALCULATION OF INCREMENTAL TAXES

This section provides an overview of the assumptions used in estimating Incremental Taxes that may be generated within the Near South Project Area.

Each year the County Clerk determines incremental property taxes separately for each tax code within TIF redevelopment project areas by aggregating the current EAV of all parcels within such tax code and subtracting the aggregate certified initial EAV for such tax code. The resulting "increment" in EAV for such tax code is then multiplied by the aggregate tax rate of the taxing districts which extend taxes on the parcels within such tax code to determine the incremental property taxes generated within such tax code. If the Cook County Clerk were to create additional Tax Codes within the Near South Project Area the effect could only be a positive one.

For assessment/levy year 1997, the Near South Project Area contained four Tax Codes: 76016, 76018, 76027 and 76516. Parcels located within Tax Codes 76018 and 76516 are subject to the jurisdiction of 10 taxing agencies which include the taxing jurisdictions that make up the General City Rate (the "General City Rate") and the Chicago Urban Transportation District. Parcels located within Tax Code 76016 and 76027 are subject to the jurisdiction of 11 taxing agencies which include the taxing jurisdictions that make up the General City Rate, the Chicago Urban Transportation District and the City of Chicago Special Service Area 12.

The estimates of Incremental Taxes contained in this report are based on the assumption that the Cook County Clerk will (i) maintain these separate Tax Codes for the Near South Project Area and (ii) determine Incremental Taxes separately for each such Tax Code.

Section IV-A-7, *Tax Rate*, contains additional information regarding the Tax Codes.

##### **General Methodology for Calculating Current Equalized Assessed Valuation**

Current EAV is calculated for each tax parcel within the Near South Project Area as follows:

$$\begin{aligned} & \text{Estimated Fair Market Value} \\ & \times \text{Assessment Rate} \\ & = \text{Assessed Valuation} \\ & \times \text{State Equalization Factor} \\ & = \text{Current Equalized Assessed Valuation} \end{aligned}$$

After deducting any applicable homeowner's or senior citizen's exemptions, the County then aggregates current EAV at the Tax Code level to calculate Incremental Taxes.

## General Methodology for Calculating Incremental Taxes

Incremental Taxes are calculated as shown below for each Tax Code within the Near South Project Area.

$$\begin{aligned} & \text{Current Equalized Assessed Valuation} \\ & - \text{Certified Initial EAV} \\ & = \text{Incremental EAV} \\ & \times \text{Aggregate Tax Rate} \\ & = \text{Gross Incremental Taxes} \\ & \times \text{Tax Collection Rate} \\ & = \text{Incremental Taxes} \end{aligned}$$

The total Incremental Taxes generated within the Near South Project Area equals the sum of the Incremental Taxes generated by all the Tax Codes within the Near South Project Area.

## Assumptions and Calculation of Incremental Taxes

The Incremental Taxes estimated in this Report are based solely on (i) the assessment and reassessment of land and improvements within the Near South Project Area at the assumed levels and (ii) other assumptions and conditions contained in this Report.

Each of the factors outlined in the above calculations and assumed for this analysis is reviewed below and summarized in tables throughout this section of the Report.

### IV. A-1 Estimated Fair Market Value ("FMV")

The Assessor assesses a parcel of property by (a) estimating the FMV of the land and improvements of that parcel, (b) multiplying the FMV by the appropriate assessment rate to derive the AV of that parcel and (c) multiplying the AV by the State Equalization Factor to derive the EAV of that parcel. The estimates of future EAV and Incremental Taxes contained in this Report are based on the assumption that the FMV of properties that are currently existing which have no building rehabilitation or redevelopment activity at the time of this report and completed development which are fully assessed as of assessment/levy year 1997 within the Near South Project Area will remain at their 1997 assessment/levy year levels, plus an inflation adjustment of 2 percent per annum as described in Section IV. A-4. However, the estimates of future EAV for projects completed, but not yet fully assessed, and units within projects under construction that are closed or under contract have been estimated by TPAP's examination of a sample of potentially comparable developments within the Near South Project Area and the surrounding areas. The results of this analysis yielded FMVs per square foot of improvements of: \$37.00 for rental residential, \$32.00 for retail, \$65.00 for "for sale" residential, and \$22.00 for single room occupancy hotels.

Some properties within the Near South Project Area are income-producing properties, a fact which is generally incorporated into the Assessor's determination of FMV. Future assessments of the properties within the Near South Project Area will be sensitive to the actual income produced by the properties. In the event the existing properties within the Near South Project Area fail to remain economically viable over the life of the Bonds or the income produced by any property is lower than the level reflected in the assessment/levy year 1997 FMV, the subsequent FMV of such property may be lower, resulting in levels of Incremental Taxes lower than those estimated in this Report.

#### IV. A-2

#### Assessment Rates

Except for farmland and certain railroad property, which are assessed by the State, the County assesses all real estate within the County, including the Near South Project Area. The County assesses all real estate by (a) classifying the property or improvement by its type of use and (b) by multiplying its estimated FMV by the appropriate assessment rate, as described below.

#### Cook County Major Property Classifications

#### Assessment Rate

1.	Vacant Land	22%
2.	Residential (6 units or less)	16%
3.	Residential (more than 6 units) <sup>(1)</sup>	33%
4.	Not-for-profit	30%
5a.	Commercial	38%
5b.	Industrial	36%

<sup>(1)</sup> Excludes condominiums and attached townhouses which are owned separately and assessed at 16 percent.

Since the adoption of the County Property Tax Classification Ordinance in 1973, there has been no change in the assessment rates for Class 1, 3 and 4 properties. However, assessment rates have changed for Class 2 and 5 properties. The assessment rate for Class 2 property (residential structures with six units or less) decreased from 22 percent to 17 percent in 1976, and from 17 percent to 16 percent in 1977. Property classes 5a and 5b (commercial and industrial properties, respectively) underwent a change in assessment practices between 1986 and 1989. Prior to 1986, commercial and industrial properties were assessed at 40 percent of their estimated FMV. Starting with the 1986 assessments and ending with 1989 assessments, commercial property assessments were reduced by one-half of one percent each year; as a result, in 1989 and in all subsequent years, commercial properties were assessed at 38 percent of the estimated FMV. During the same period, industrial property assessments were reduced by one percent each year; as a result, in 1989 and all subsequent years, industrial properties were assessed at 36 percent of their

estimated FMV. According to the Assessor, the County has no plan or proposal to change the assessment rates for any of its major property classifications from their current rates.

In addition to the major property classifications presented above, the County Property Tax Classification Ordinance also provides for various "incentive" classifications (including 6b, 6c, 7a, 7b, 8, 9 and L) which provide for lower assessment rates for a varying number of years. With the exception of class 9 incentives, the municipality must pass an ordinance or resolution demonstrating that it supports and consents to the incentive.

Class 6 incentive classifications are available for rehabilitated or newly constructed industrial buildings where the municipality finds that such an incentive is necessary for development to occur on that specific real estate. Class 7 incentive classifications are available for rehabilitated or newly constructed commercial buildings in areas "in need of commercial development" where the municipality finds the commercial development project would not go forward without the full incentive. Class 8 incentive classifications are available for rehabilitation or new construction of commercial and industrial buildings located in an area which has been certified as "severely blighted" within the last five years. Class 9 incentives are available for multifamily residential real estate that has undergone substantial rehabilitation and which is located in Empowerment Zones, Enterprise Communities or census tracts in which at least 51 percent of the residents are low- or moderate-income persons. In addition, at least 50 percent of the dwelling units must be leased at rents affordable to low- or moderate-income persons or households.

Class L classification incentives are available for landmark buildings which undergo substantial rehabilitation (the investment by the owner of at least 50 percent of the building's full market value as determined by the Assessor in the last assessment/levy year) which meets or exceeds the standards of the United States Department of the Interior for Rehabilitation, Preservation, Restoration, and Reconstruction of historic properties; and which has been completed in accordance with plans approved by the municipality within which the landmark is located. The municipality must approve an ordinance or resolution expressly stating that the municipality (i) has determined that the incentive is necessary; (ii) supports and consents to the granting of the incentive; and (iii) has reviewed and accepted its preservation commission's written recommendation of the project for the incentive.

The estimates of Incremental Taxes contained in this Report assume that (i) the assessment rates for all major property classifications will remain at their current levels and (ii) no property within the Near South Project Area will be granted an incentive classification over the period studied in this Report but the City may grant such incentives in the future.

**State Equalization Factor**

The distribution of State grants-in-aid for education, highways and public assistance are based on a formula which includes a component of assessed valuation. To achieve more uniform assessments on a county-by-county basis for the equitable distribution of these grants-in-aid, the State issues an Equalization Factor for each county which is designed to make all real estate valuations uniform among the 102 counties in the State. Assessments on a county-wide basis are equalized at 33-1/3 percent of estimated FMV. The State Equalization Factor is calculated annually for each county from sales and AV data collected on properties which have sold during the year.

Because the Cook County Property Tax Classification Ordinance stipulates varying assessment rates for different property classes, some of which results in AV substantially lower than 33-1/3 percent of estimated FMV, the total AV for many properties in the County is historically lower than 33-1/3 percent of FMV. Consequently, the State Equalization Factor for the County has historically been greater than 1.0. Table 3, *Historic State Equalization Factors for Cook County*, illustrates the State Equalization Factor for the County from 1987 through 1997.

As illustrated in Table 3, the State Equalization Factor for the County increased over the previous year's level in seven of the 10 annual periods between 1987 and 1997, at an average annual rate of 1.28 percent.

**TABLE 3: HISTORIC STATE EQUALIZATION FACTORS FOR COOK COUNTY**

<u>Assessment/Levy year</u>	<u>Equalization Factor</u>
1987	1.8916
1988	1.9266
1989	1.9133
1990	1.9946
1991	2.0523
1992	2.0897
1993	2.1407
1994	2.1135
1995	2.1243
1996	2.1517
1997	2.1489

For purposes of estimating Incremental Taxes, the five year average (assessment/levy years 1993, 1994, 1995, 1996 and 1997) State Equalization Factor for the County of 2.1358 is used to estimate 1998 EAV and all subsequent years' EAV.

#### IV. A-4 Triennial Adjustment/Inflation Provision

In 1990, the Assessor changed its reassessment schedule from every four years to every three years. The most recent reassessment for the City occurred in 1997. According to the Assessor, the City will be reassessed in 2000 and every three years thereafter.

Between 1994 and 1997, the EAV of the City as a whole increased at an average annual rate of 3.49 percent. Over the same period, the EAV of the Near South Project Area increased by an average annual rate of 8.3 percent.

In this Report, a rate of increase in EAV of 2.0 percent per annum, or approximately 6.1 percent per triennial reassessment period is assumed for 1) property currently existing which have no redevelopment activity at the time of this report, 2) property with completed development projects and 3) property with development projects under construction once completed.

#### IV. A-5 Calculation of Estimated EAV

Table 4, *Calculation of Estimated Total EAV*, sets forth the actual 1997 EAV for completed redevelopment projects which have been fully assessed. In addition, Table 4 sets forth estimated EAV for redevelopment projects completed but not yet fully assessed as well as projects currently under construction. **Only development projects that have been completed or the units within projects under construction that are closed or under contract were utilized in estimating incremental tax revenue for redevelopment projects still under construction.** In addition to the completed redevelopment projects and the units within projects under construction which are closed or under contract, Table 6, *Calculation of EAV by Year*, incorporates the buildings or sites currently existing which have no building rehabilitation or redevelopment activity at the time of this report into the calculation of future EAV. Table 6 assumes that such property without redevelopment activity will remain at their assessment/levy year 1997 levels, plus an inflation adjustment of 2 percent per annum. The three principal components of the calculation of the estimated EAV for the property within the Near South Project Area are: (1) value of existing properties, (2) value enhancements and (3) inflation.

The "1997 EAV" represents finalized 1997 EAV data as released by the County. This 1997 EAV serves as the basis for the estimates of EAV contained in this Report for the years 1998 through 2013. The calculation of EAV for years 1998 through 2013 also uses the 5 year average State Equalization Factor assumption described in Section IV. A-3, the reassessment assumptions included in Section IV. A-4, and other assumptions included in this Report, including, in particular, the assumption that the EAV of the Near South Project Area will continue to be determined through four separate Tax Codes for the duration of the Near South Project Area and that any decline in the EAV in a Tax Code within the Near South Project Area below its Certified Initial EAV will not affect the County Clerk's calculation of EAV for any other Tax Codes within the Near South Project Area.

Table 5, *Percentage of Full Assessment Achieved in Each Year*, presents the assumptions used for the phasing and timing of assessments on the part of the Cook County Assessor's Office. Information on this table is based on developer information as well as observance of past practices of the Cook County Assessor's Office and the construction phase of projects at the time of this report.

Generally, it is assumed that if the expected occupancy of a development project occurs in the first half of the year, the development project would be assessed at 50% for that year and 100% in the following years. If the expected occupancy of a development project occurs in the second half of the year, the development project would not be assessed for that initial year but would be fully assessed in the following years.

The percentage of full assessment achieved in 1997 for the completed development projects not yet fully assessed was estimated based on the actual 1997 assessed values for the development projects and information received from the project developers.

Table 6, *Calculation of EAV by Year*, is a projected time line between years 1997 and 2013 for realizing estimated new EAV as a result of the redevelopment projects. Table 6 incorporates the rate of assessment estimated in Table 5, an inflationary factor of 2% per annum, and a \$4,500 Homeowner Exemption for each "for-sale" residential unit.



TABLE 4: CALCULATION OF ESTIMATED TOTAL EAV  
 NEAR SOUTH 1999 BOND ISSUE  
 NEAR SOUTH REDEVELOPMENT PROJECT AREA  
 CHICAGO, ILLINOIS

Trkla, Pettigrew, Allen & Payne, Inc.  
 February 10, 1999

*I. Completed Development Projects*

Completed Development Projects Fully Assessed				Equalization Factor [1]	Estimated Total EAV	Estimated Total EAV per Unit	Homeowner Exemption per unit	Estimated Occupancy
	Total Units	Rental	1997 Assessed Value (AV)					
Park Row	69 units		\$2,720,543	2.1489	\$5,846,175	\$84,727	\$4,500	Occupied
Harbor Square Condos	88 units		2,288,010	2.1489	4,916,703	55,872	4,500	Occupied
Centennial Court Townhomes	23 units		1,151,393	2.1489	2,474,228	107,575	4,500	Occupied
Filmworks I	85 units		1,116,941	2.1489	2,400,195	28,238	4,500	Occupied
East Side Lofts	65 units		897,445	2.1489	1,928,520	29,670	4,500	Occupied
Trevi Square	69 units		971,584	2.1489	2,087,837	30,259	4,500	Occupied
Prairie Place Phase I	45 units		1,414,745	2.1489	3,040,146	67,559	4,500	Occupied
Senior Suites	96 units	rental	473,672	2.1489	1,017,874	10,603		Occupied
<b>Total: Completed Development Projects Fully Assessed</b>	<b>540 units</b>		<b>\$11,034,333</b>		<b>\$23,711,678</b>			

Completed Development Projects not yet Fully Assessed as Residential Developments				Estimated FMV per Square Foot [2]	Assessment Rate	Equalization Factor [3]	Estimated Total EAV	Estimated Total EAV per Unit	Homeowner Exemption per unit	Estimated Occupancy
	Total Units	Rental	Average Square Feet per Unit							
Prairie District Lofts	116 units	rental	1,253 sq. ft.	x \$37	x 33%	x 2.1358	\$3,790,402	\$32,676		1998 [4]
11th Street Lofts	56 units	rental	1,500 sq. ft.	x \$37	x 33%	x 2.1358	2,190,562	39,117		1998 [4]
11th Street Lofts Retail on Ground Flr			8,000 sq. ft.	x \$32	x 38%	x 2.1358	207,771	\$26 per sq. ft.		1998 [4]
Filmworks 2	16 units		1,300 sq. ft.	x \$65	x 16%	x 2.1358	462,016	28,876	\$4,500	1998
Skyline Lofts	47 units		879 sq. ft.	x \$65	x 16%	x 2.1358	918,146	19,535	4,500	1998 [4]
Laker I	12 units		1,750 sq. ft.	x \$65	x 16%	x 2.1358	466,459	38,872	4,500	Jan 1997
Bicycle Station Lofts	53 units		914 sq. ft.	x \$65	x 16%	x 2.1358	1,076,498	20,311	4,500	1998
Carriage House Lofts	81 units	rental	1,080 sq. ft.	x \$37	x 33%	x 2.1358	2,282,174	28,175		Feb 1998
East Side Townhomes	9 units		2,065 sq. ft.	x \$65	x 16%	x 2.1358	412,816	45,868	4,500	1997
1801 Studios (SRO)	170 units	rental	total bldg 62,500 sq. ft.	x \$22	x 33%	x 2.1358	969,119	5,701		1997
<b>Total: Completed Development Projects not yet Fully Assessed as Residential Developments</b>	<b>560 units</b>						<b>\$12,775,963</b>			

**Subtotal: Completed Development Projects 1,100 units \$36,487,642**

TABLE 4: CALCULATION OF ESTIMATED TOTAL EAV  
NEAR SOUTH 1999 BOND ISSUE  
NEAR SOUTH REDEVELOPMENT PROJECT AREA  
CHICAGO, ILLINOIS

2. Development Projects Under Construction

Closed Units		Total Units	Rental	Average Square Feet per Unit	Estimated FMV per Square Foot [2]	Assessment Rate	Equalization Factor [3]	Estimated Total EAV	Estimated Total EAV per Unit	Homeowner Exemption per unit	Estimated Occupancy
Penthouse Lofts	28 units			1,009 sq. ft.	x \$65	x 16%	x 2.1358 =	\$627,809	\$22,422	\$4,500	Spring 1998
Office at Penthouse Lofts				40,000 sq. ft.	x \$33	x 38%	x 2.1358 =	1,071,317	\$27 per sq. ft.		Spring 1998
Bicycle Station Townhomes	8 units			1,783 sq. ft.	x \$65	x 16%	x 2.1358 =	316,837	39,605	4,500	1998 [4]
18th Street Lofts	38 units			1,045 sq. ft.	x \$65	x 16%	x 2.1358 =	881,829	23,206	4,500	1998 [4]
1515 S Michigan Lofts and Townhomes	56 units			1,057 sq. ft.	x \$65	x 16%	x 2.1358 =	1,314,969	23,482	4,500	1998
Michigan Avenue Lofts	16 units			982 sq. ft.	x \$65	x 16%	x 2.1358 =	349,000	21,812	4,500	Dec 1998
				total bldg							
Chicago Financial Technology	14,000 sq. ft.			21,000 sq. ft.	x \$33	x 38%	x 2.1358 =	562,442	\$40 per sq. ft.		1998
Columbia College	sq. ft.			20,000 sq. ft.		tax exempt	x 2.1358 =	-	-		Fall 1998
<b>Total: Closed Units</b>	<b>146 units</b>							<b>\$5,124,203</b>			

Units Under Contract		Total Units	Rental	Average Square Feet per Unit	Estimated FMV per Square Foot [2]	Assessment Rate	Equalization Factor [3]	Total EAV	Total EAV per Unit	Homeowner Exemption per unit	Estimated Occupancy
Penthouse Lofts	7 units			1,117 sq. ft.	x \$65	x 16%	x 2.1358 =	\$173,723	\$24,818	\$4,500	Dec. 1998
Prairie Place Phase II	4 units			3,469 sq. ft.	x \$65	x 16%	x 2.1358 =	308,174	77,043	4,500	Dec. 1998
Landmark on the Wabash	41 units			1,080 sq. ft.	x \$65	x 16%	x 2.1358 =	983,517	23,988	4,500	Spring 1999 [4]
Michigan Ave. Lofts	170 units			982 sq. ft.	x \$65	x 16%	x 2.1358 =	3,708,125	21,812	4,500	Dec 1998
1515 S Michigan Lofts and Townhomes	4 units			1,200 sq. ft.	x \$65	x 16%	x 2.1358 =	106,619	26,655	4,500	1998
Tandem Lofts	53 units			1,082 sq. ft.	x \$65	x 16%	x 2.1358 =	1,274,188	24,041	4,500	Dec. 1998
Bicycle Station Townhomes	2 units			1,783 sq. ft.	x \$65	x 16%	x 2.1358 =	79,209	39,605	4,500	Dec 1998 [4]
				total bldg							
South Loop Apartments (SRO)	207 units	rental		100,070 sq. ft.	x \$22	x 33%	x 2.1358 =	1,551,676	7,496	-	June 1999
18th Street Lofts	3 units			1,077 sq. ft.	x \$65	x 16%	x 2.1358 =	71,746	23,915	4,500	1999 [4]
18th Street townhomes	2 units			1,495 sq. ft.	x \$65	x 16%	x 2.1358 =	66,415	33,207	4,500	1999 [4]
Sewing Exchange Lofts	22 units			932 sq. ft.	x \$65	x 16%	x 2.1358 =	455,353	20,698	4,500	Dec 1998
Sewing Exchange Townhomes	12 units			1,810 sq. ft.	x \$65	x 16%	x 2.1358 =	482,452	40,204	4,500	Spring 1999 [4]
Michigan Avenue Gardens	8 units			956 sq. ft.	x \$65	x 16%	x 2.1358 =	169,880	21,235	4,500	Dec 1999
Sherwood Music Conservatory	sq. ft.			20,000 sq. ft.		tax exempt	x 2.1358 =	-	-		Fall 1998
<b>Total: Units Under Contract</b>	<b>535 units</b>							<b>\$9,431,075</b>			



<b>Estimated EAV for Completed Projects Both Assessed and not yet Assessed</b>	<b>\$36,487,642</b>
<b>Total Estimated EAV for all Completed Projects and for Units Closed and Under Contract</b>	<b>\$51,042,919</b>

[1] 1997 Cook County Equalization Factor.  
 [2] From information gathered from project developers and TPAP's examination of comparable developments.  
 [3] 5 year average (1993-1997) State equalization factor for Cook County.  
 [4] Estimated occupancy date based on TPAP observation of the construction phase to date.



**TABLE 5: PERCENTAGE OF FULL ASSESSMENT ACHIEVED IN EACH YEAR  
NEAR SOUTH 1999 BOND ISSUE  
NEAR SOUTH REDEVELOPMENT PROJECT AREA  
CHICAGO, ILLINOIS**

Trkla, Pettigrew, Allen & Payne, Inc.  
February 10, 1999

**2. Development Projects Under Construction**

Closed Units		Percent of Full Assessment Reached in Each Year, 1997 to 2012															
Assessment Year:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Penthouse Lofts	0%	50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Office at Penthouse Lofts	0%	50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Bicycle Station Townhomes	0%	50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
18th Street Lofts	0%	50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
1515 S Michigan Lofts and Townhomes	0%	50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Michigan Avenue Lofts	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Chicago Financial Technology	0%	0%	50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Columbia College	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

Units Under Contract		Percent of Full Assessment Reached in Each Year, 1997 to 2012															
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Penthouse Lofts	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Prairie Place Phase II	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Landmark on the Wabash	0%	0%	50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Michigan Ave. Lofts	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
1515 S Michigan Lofts and Townhomes	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Tandem Lofts	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Bicycle Station Townhomes	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
South Loop Apartments (SRO)	0%	0%	50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
18th Street Lofts	0%	0%	50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
18th Street townhomes	0%	0%	50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Sewing Exchange Lofts	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Sewing Exchange Townhomes	0%	0%	50%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Michigan Avenue Gardens	0%	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Sherwood Music Conservatory	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

TABLE 6: CALCULATION OF EAV BY YEAR  
NEAR SOUTH 1999 BOND ISSUE  
NEAR SOUTH REDEVELOPMENT PROJECT AREA  
CHICAGO, ILLINOIS

Trkla, Pettigrew, Allen & Payne, Inc.  
February 10, 1999

**I. Completed Development Projects**

**Completed Development Projects Fully Assessed**

Calculation of Estimated EAV, 1997 to 2005

Assessment Year:	1* 1997	2 1998	3 1999	4* 2000	5 2001	6 2002	7* 2003	8 2004	9 2005
Park Row	\$5,535,675	\$5,535,675	\$5,535,675	\$5,874,502	\$5,874,502	\$5,874,502	\$6,234,069	\$6,234,069	\$6,234,069
Harbor Square Condos	4,520,705	4,520,705	4,520,705	4,797,408	4,797,408	4,797,408	5,091,048	5,091,048	5,091,048
Centennial Court Townhomes	2,370,728	2,370,728	2,370,728	2,515,836	2,515,836	2,515,836	2,669,825	2,669,825	2,669,825
Filmworks 1	2,017,695	2,017,695	2,017,695	2,141,194	2,141,194	2,141,194	2,272,252	2,272,252	2,272,252
East Side Lofts	1,636,020	1,636,020	1,636,020	1,736,157	1,736,157	1,736,157	1,842,424	1,842,424	1,842,424
Trevi Square	1,777,337	1,777,337	1,777,337	1,886,124	1,886,124	1,886,124	2,001,570	2,001,570	2,001,570
Prairie Place Phase I	2,837,646	2,837,646	2,837,646	3,011,332	3,011,332	3,011,332	3,195,650	3,195,650	3,195,650
Senior Suites	1,017,874	1,017,874	1,017,874	1,080,176	1,080,176	1,080,176	1,146,291	1,146,291	1,146,291
<b>Total: Completed Development Projects Fully Assessed</b>	<b>\$21,713,678</b>	<b>\$21,713,678</b>	<b>\$21,713,678</b>	<b>\$23,042,729</b>	<b>\$23,042,729</b>	<b>\$23,042,729</b>	<b>\$24,453,128</b>	<b>\$24,453,128</b>	<b>\$24,453,128</b>

**Completed Development Projects not yet Fully Assessed as Residential Developments**

Calculation of Estimated EAV, 1997 to 2005

Assessment Year:	1* 1997	2 1998	3 1999	4* 2000	5 2001	6 2002	7* 2003	8 2004	9 2005
Prairie District Lofts	\$409,123	\$1,895,201	\$3,790,402	\$4,022,405	\$4,022,405	\$4,022,405	\$4,268,609	\$4,268,609	\$4,268,609
11th Street Lofts	447,117	1,095,281	2,190,562	2,324,642	2,324,642	2,324,642	2,466,929	2,466,929	2,466,929
11th Street Lofts Retail on Ground Flr		207,771	207,771	220,488	220,488	220,488	233,983	233,983	233,983
Filmworks 2	422,154	392,369	392,369	416,386	416,386	416,386	441,872	441,872	441,872
Skyline Lofts	309,033	706,646	706,646	749,899	749,899	749,899	795,798	795,798	795,798
Studebaker Lofts	360,655	412,459	412,459	437,704	437,704	437,704	464,496	464,496	464,496
Bicycle Station Lofts	342,367	837,998	837,998	889,290	889,290	889,290	943,722	943,722	943,722
Carriage House Lofts	297,835	2,282,174	2,282,174	2,421,862	2,421,862	2,421,862	2,570,099	2,570,099	2,570,099
East Side Townhomes	419,964	419,964	419,964	445,669	445,669	445,669	472,948	472,948	472,948
1801 Studios (SRO)	320,248	969,119	969,119	1,028,437	1,028,437	1,028,437	1,091,386	1,091,386	1,091,386
<b>Total: Completed Development Projects not yet Fully Assessed as Residential Developments</b>	<b>\$3,328,496</b>	<b>\$9,218,983</b>	<b>\$12,209,465</b>	<b>\$12,956,782</b>	<b>\$12,956,782</b>	<b>\$12,956,782</b>	<b>\$13,749,840</b>	<b>\$13,749,840</b>	<b>\$13,749,840</b>

**Subtotal: Completed Development Projects**      **\$25,042,174**      **\$30,932,661**      **\$33,923,143**      **\$35,999,511**      **\$35,999,511**      **\$35,999,511**      **\$38,202,969**      **\$38,202,969**      **\$38,202,969**

\* Reassessment Year      Inflation: 2.0% per year (realized in reassessment years)

NEAR SOUTH 1999 BOND ISSUE  
NEAR SOUTH REDEVELOPMENT PROJECT AREA  
CHICAGO, ILLINOIS

Trkla, Pettigrew, Allen & Payne, Inc.  
February 10, 1999

**I. Completed Development Projects**

**Completed Development Projects Fully Assessed**

Assessment Year:	Calculation of Estimated EAV, 2006 to 2012						
	10 * 2006	11 2007	12 2008	13 * 2009	14 2010	15 2011	16 * 2012
Park Row	\$6,615,644	\$6,615,644	\$6,615,644	\$7,020,574	\$7,020,574	\$7,020,574	\$7,450,290
Harbor Square Condos	5,402,661	5,402,661	5,402,661	5,733,347	5,733,347	5,733,347	6,084,273
Centennial Court Townhomes	2,833,240	2,833,240	2,833,240	3,006,657	3,006,657	3,006,657	3,190,688
Filmworks I	2,411,332	2,411,332	2,411,332	2,558,925	2,558,925	2,558,925	2,715,551
East Side Lofts	1,955,195	1,955,195	1,955,195	2,074,868	2,074,868	2,074,868	2,201,867
Trevi Square	2,124,082	2,124,082	2,124,082	2,254,093	2,254,093	2,254,093	2,392,061
Prairie Place Phase I	3,391,249	3,391,249	3,391,249	3,598,821	3,598,821	3,598,821	3,819,097
Senior Suites	1,216,453	1,216,453	1,216,453	1,290,910	1,290,910	1,290,910	1,369,924
<b>Total: Completed Development Projects Fully Assessed</b>	<b>\$25,949,855</b>	<b>\$25,949,855</b>	<b>\$25,949,855</b>	<b>\$27,538,194</b>	<b>\$27,538,194</b>	<b>\$27,538,194</b>	<b>\$29,223,752</b>

**Completed Development Projects not yet Fully Assessed as Residential Developments**

Assessment Year:	Calculation of Estimated EAV, 2006 to 2012						
	10 * 2006	11 2007	12 2008	13 * 2009	14 2010	15 2011	16 * 2012
Prairie District Lofts	\$4,529,882	\$4,529,882	\$4,529,882	\$4,807,147	\$4,807,147	\$4,807,147	\$5,101,382
11th Street Lofts	2,617,924	2,617,924	2,617,924	2,778,162	2,778,162	2,778,162	2,948,208
11th Street Lofts Retail on Ground Flr	248,305	248,305	248,305	263,503	263,503	263,503	279,632
Filmworks 2	468,918	468,918	468,918	497,619	497,619	497,619	528,078
Skyline Lofts	844,508	844,508	844,508	896,198	896,198	896,198	951,053
Studebaker Lofts	492,926	492,926	492,926	523,097	523,097	523,097	555,115
Bicycle Station Lofts	1,001,485	1,001,485	1,001,485	1,062,784	1,062,784	1,062,784	1,127,835
Carriage House Lofts	2,727,410	2,727,410	2,727,410	2,894,349	2,894,349	2,894,349	3,071,506
East Side Townhomes	501,896	501,896	501,896	532,616	532,616	532,616	565,216
1801 Studios (SRC)	1,158,187	1,158,187	1,158,187	1,229,078	1,229,078	1,229,078	1,304,307
<b>Total: Completed Development Projects not yet Fully Assessed as Residential Developments</b>	<b>\$14,591,440</b>	<b>\$14,591,440</b>	<b>\$14,591,440</b>	<b>\$15,484,553</b>	<b>\$15,484,553</b>	<b>\$15,484,553</b>	<b>\$16,432,332</b>
<b>Subtotal: Completed Development Projects</b>	<b>\$40,541,296</b>	<b>\$40,541,296</b>	<b>\$40,541,296</b>	<b>\$43,022,748</b>	<b>\$43,022,748</b>	<b>\$43,022,748</b>	<b>\$45,656,084</b>

\* Reassessment Year

TABLE 6. CALCULATION OF EAV BY YEAR  
 NEAR SOUTH 1999 BOND ISSUE  
 NEAR SOUTH REDEVELOPMENT PROJECT AREA  
 CHICAGO, ILLINOIS

Trila, Penigrow, Allen & Payne, Inc.  
 February 10, 1999

2. Development Projects Under Construction

Closed Units									
Calculation of Estimated EAV, 1997 to 2005									
Assessment Year:	1*	2	3	4*	5	6	7*	8	9
	1997	1998	1999	2000	2001	2002	2003	2004	2005
Penthouse Lofts	\$0	\$250,905	\$501,809	\$532,524	\$532,524	\$532,524	\$565,118	\$565,118	\$565,118
Office at Penthouse Lofts	-	535,659	1,071,317	1,136,890	1,136,890	1,136,890	1,206,477	1,206,477	1,206,477
Bicycle Station Townhomes	-	140,418	280,837	298,026	298,026	298,026	316,268	316,268	316,268
18th Street Lofts	-	355,413	710,829	754,338	754,338	754,338	800,509	800,509	800,509
1515 S Michigan Lofts and Townhomes	-	531,485	1,062,969	1,128,032	1,128,032	1,128,032	1,197,076	1,197,076	1,197,076
Michigan Avenue Lofts	-	-	277,777	293,955	293,955	293,955	311,947	311,947	311,947
Chicago Financial Technology	-	-	281,151	596,867	596,867	596,867	633,401	633,401	633,401
Columbia College	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt
<b>Total: Closed Units</b>	\$0	\$1,813,881	\$4,185,982	\$4,740,631	\$4,740,631	\$4,740,631	\$5,030,796	\$5,030,796	\$5,030,796

Units Under Contract									
Calculation of Estimated EAV, 1997 to 2005									
Assessment Year:	1*	2	3	4*	5	6	7*	8	9
	1997	1998	1999	2000	2001	2002	2003	2004	2005
Penthouse Lofts	\$0	\$0	\$142,223	\$150,928	\$150,928	\$150,928	\$160,166	\$160,166	\$160,166
Prairie Place Phase II	-	-	290,174	307,935	307,935	307,935	326,783	326,783	326,783
Landmark on the Wabash	-	-	399,509	447,923	447,923	447,923	499,823	499,823	499,823
Michigan Ave. Lofts	-	-	2,943,325	3,123,267	3,123,267	3,123,267	3,314,436	3,314,436	3,314,436
1515 S Michigan Lofts and Townhomes	-	-	88,619	94,043	94,043	94,043	99,800	99,800	99,800
Tandem Lofts	-	-	1,035,088	1,099,080	1,099,080	1,099,080	1,164,352	1,164,352	1,164,352
Bicycle Station Townhomes	-	-	70,209	74,506	74,506	74,506	79,067	79,067	79,067
South Loop Apartments (SRO)	-	-	775,838	1,646,651	1,646,651	1,646,651	1,747,439	1,747,439	1,747,439
18th Street Lofts	-	-	29,123	61,811	61,811	61,811	65,594	65,594	65,594
18th Street townhomes	-	-	28,707	60,929	60,929	60,929	64,658	64,658	64,658
Sewing Exchange Lofts	-	-	356,353	378,164	378,164	378,164	401,311	401,311	401,311
Sewing Exchange Townhomes	-	-	314,236	454,676	454,676	454,676	482,506	482,506	482,506
Michigan Avenue Gardens	-	-	-	142,074	142,074	142,074	150,770	150,770	150,770
Sherwood Music Conservatory	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt
<b>Total: Units Under Contract</b>	\$0	\$0	\$4,373,792	\$8,441,941	\$8,441,941	\$8,441,941	\$8,958,706	\$8,958,706	\$8,958,706

Subtotal: Development Projects Under Construction									
	\$0	\$1,813,881	\$4,559,774	\$13,182,620	\$13,182,620	\$13,182,620	\$13,989,502	\$13,989,502	\$13,989,502

\* Reassessment Year Inflation: 2.0% per year (reflected in reassessment years)

3. Existing Property Values

Existing Property Values - based on 1997 EAV of parcels									
Calculation of Estimated EAV, 1997 to 2005									
Assessment Year:	1*	2	3	4*	5	6	7*	8	9
	1997	1998	1999	2000	2001	2002	2003	2004	2005
Property without Development Project	\$169,691,701	\$169,691,701	\$169,691,701	\$180,078,191	\$180,078,191	\$180,078,191	\$191,108,417	\$191,108,417	\$191,108,417

\* Reassessment Year Inflation: 2.0% per year (reflected in reassessment years)

4. Total Estimated EAV by Year

Calculation of Estimated EAV, 1997 to 2005									
Assessment Year:	1*	2	3	4*	5	6	7*	8	9
	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Total Completed Development Projects Fully Assessed</b>	\$21,713,678	\$21,713,678	\$21,713,678	\$23,042,729	\$23,042,729	\$23,042,729	\$24,488,128	\$24,488,128	\$24,488,128
<b>Total Completed Development Projects not yet Fully Assessed as Residential</b>									
Developed	3,328,496	9,218,983	12,209,465	12,954,782	12,954,782	12,954,782	13,740,848	13,740,848	13,740,848
Total Chg. -	-	1,813,881	4,185,982	4,740,631	4,740,631	4,740,631	5,030,796	5,030,796	5,030,796
<b>Total Units Under Contract</b>			4,373,792	8,441,941	8,441,941	8,441,941	8,958,706	8,958,706	8,958,706
<b>Property without Development Project</b>	169,691,701	169,691,701	169,691,701	180,078,191	180,078,191	180,078,191	191,108,417	191,108,417	191,108,417
<b>Grand Total:</b>	\$194,733,875	\$202,436,242	\$214,874,856	\$229,565,320	\$229,565,320	\$229,565,320	\$244,585,977	\$244,585,977	\$244,585,977

\* Reassessment Year Inflation: 2.0% per year (reflected in reassessment years)

TABLE 4: CALCULATION OF EAV BY YEAR  
NEAR SOUTH 1999 BOND ISSUE  
NEAR SOUTH REDEVELOPMENT PROJECT AREA  
CHICAGO, ILLINOIS

2. Development Projects Under Construction

Assessment Year:	Calculation of Estimated EAV, 2006 to 2011						
	10*	11	12	13*	14	15	16*
Penthouse Lofts	\$599,708	\$599,708	\$599,708	\$636,413	\$636,413	\$636,413	\$673,369
Office at Peninsula Lofts	1,280,323	1,280,323	1,280,323	1,358,689	1,358,689	1,358,689	1,441,853
Bicycle Station Townhomes	315,626	315,626	315,626	356,169	356,169	356,169	377,869
18th Street Lofts	849,303	849,303	849,303	901,303	901,303	901,303	936,612
1515 S Michigan Lofts and Townhomes	1,270,347	1,270,347	1,270,347	1,348,102	1,348,102	1,348,102	1,430,617
Michigan Avenue Lofts	331,041	331,041	331,041	351,303	351,303	351,303	372,803
Chicago Financial Technology	672,170	672,170	672,170	713,312	713,312	713,312	756,972
Columbia College	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt
Total Closed Units	\$5,318,721	\$5,318,721	\$5,318,721	\$5,665,493	\$5,665,493	\$5,665,493	\$6,012,267

Units Under Contract

Assessment Year:	Calculation of Estimated EAV, 2006 to 2012						
	10*	11	12	13*	14*	15	16*
Penthouse Lofts	\$169,969	\$169,969	\$169,969	\$180,373	\$180,373	\$180,373	\$191,412
Prattie Place Phase II	346,784	346,784	346,784	368,010	368,010	368,010	390,216
Landmark on the Wabash	934,899	934,899	934,899	1,013,347	1,013,347	1,013,347	1,075,372
Michigan Ave. Lofts	3,317,306	3,317,306	3,317,306	3,732,594	3,732,594	3,732,594	3,961,038
1515 S Michigan Lofts and Townhomes	105,908	105,908	105,908	112,390	112,390	112,390	119,270
Tandem Lofts	1,237,742	1,237,742	1,237,742	1,313,302	1,313,302	1,313,302	1,393,899
Bicycle Station Townhomes	81,906	81,906	81,906	89,042	89,042	89,042	94,492
South Loop Apartments (SRO)	1,854,197	1,854,197	1,854,197	1,967,901	1,967,901	1,967,901	2,088,335
18th Street Lofts	65,609	65,609	65,609	71,870	71,870	71,870	76,391
18th Street Townhomes	68,616	68,616	68,616	72,816	72,816	72,816	77,273
Swing Exchange Lofts	423,874	423,874	423,874	451,941	451,941	451,941	479,604
Swing Exchange Townhomes	512,039	512,039	512,039	543,380	543,380	543,380	576,639
Michigan Avenue Gardens	159,999	159,999	159,999	169,792	169,792	169,792	180,183
Shoreland Music Conservatory	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt	tax exempt
Total Units Under Contract	\$9,207,031	\$9,207,031	\$9,207,031	\$10,008,938	\$10,008,938	\$10,008,938	\$10,706,483
Subtotal: Development Projects Under Construction	\$14,845,772	\$14,845,772	\$14,845,772	\$15,754,432	\$15,754,432	\$15,754,432	\$16,718,750

\* Reassessment Year

3. Existing Property Values

Existing Property Values - based on 1997 EAV of parcels

Assessment Year:	Calculation of Estimated EAV, 2006 to 2012						
	10*	11	12	13*	14	15	16*
Property without Development Project	\$202,797,291	\$202,797,291	\$202,797,291	\$215,210,107	\$215,210,107	\$215,210,107	\$228,382,688

\* Reassessment Year

4. Total Estimated EAV by Year

Assessment Year:	Calculation of Estimated EAV, 2006 to 2012						
	10*	11	12	13*	14	15	16*
Total: Completed Development Projects Fully Assessed	\$15,949,855	\$15,949,855	\$15,949,855	\$17,318,194	\$17,318,194	\$17,318,194	\$18,718,750
Total: Completed Development Projects not yet Fully Assessed as Residential Development	14,591,440	14,591,440	14,591,440	15,484,553	15,484,553	15,484,553	16,432,332
Total: Closed Units	5,318,721	5,318,721	5,318,721	5,665,493	5,665,493	5,665,493	6,012,267
Total Units Under Contract	9,207,031	9,207,031	9,207,031	10,008,938	10,008,938	10,008,938	10,706,483
Property without Development Project	202,797,291	202,797,291	202,797,291	215,210,107	215,210,107	215,210,107	230,382,688
Grand Total:	\$248,864,338	\$248,864,338	\$248,864,338	\$273,987,386	\$273,987,386	\$273,987,386	\$296,257,532

\* Reassessment Year



### ■ Value of Existing Properties

The 1997 EAV of existing properties within the Near South Project Area is \$195,171,648 and consists primarily of commercial land and improvements, vacant land and residential land and improvements. The 1997 EAV of the Tax Codes within the Near South Project Area is \$153,053,088 in Tax Code 76016; \$11,928,883 in Tax Code 76018; \$21,142,651 in Tax Code 76027 and \$9,047,026 in Tax Code 76516.

### ■ Value Enhancements

Value enhancements include increases in assessable value resulting from rehabilitation of existing buildings or new development and are reflected within the estimates included in this Report. The estimates of Incremental Taxes contained in this Report consider the impact of only projects which have actually begun construction within the Near South Project Area.

### ■ Value Removals

Value removals from EAV occur as a result of two actions: (i) the reclassification of existing taxable land and improvements to non-taxable (exempt) status and (ii) the demolition of existing taxable improvements. The only known current development project expected to be reclassified as tax-exempt is the construction of the new Sherwood Music Conservatory building. The reclassification and value removal from EAV for the Sherwood Music Conservatory development is reflected in Tables 4 and 6. The Columbia College development is currently classified as tax-exempt for the assessment/levy year 1997 and therefore no value removal from EAV is necessary for this tax-exempt development. TPAF is not aware of any other imminent value removals at this time.

The estimates of Incremental Taxes contained in this Report assume that all buildings and properties which were tax-exempt in assessment/levy year 1997 will remain tax-exempt for the remaining life of the Near South Project Area.

In the event that buildings or sites which are not listed above as "Value Removals" are acquired by the City or other parties and rendered tax-exempt, future EAV and Incremental Taxes would be lower than the levels estimated in this Report.

IV. A-6.

Certified Initial Equalized Assessed Valuation

The Certified Initial EAV of the Near South Project Area is shown below.

<u>Tax Code</u>	<u>Certified Initial EAV<sup>(1)</sup></u>
76016	\$88,918,669
76018	10,751,453
76027 <sup>(2)</sup>	21,473,525
76516	7,669,111
<b>Total</b>	<b>\$128,812,758</b>

<sup>(1)</sup>The base year of the Original Project Area is 1989 as established by the adoption of the Original Area Redevelopment Plan on November 28, 1990. The Certified Initial EAV for the Original Project Area totals \$3,223,423 and served as the Certified Initial EAV until the Plan was amended on August 3, 1994 and an additional \$125,589,335 was added to the Certified Initial EAV for a total of \$128,812,758.

<sup>(2)</sup>In 1996 the Cook County Clerk's Office created an additional Tax Code, 76027, within the Project Area. However, no property was amended and no change in the taxing agencies having jurisdiction over the properties within the Tax Code were changed.

IV. A-7

Tax Rate

The aggregate tax rate for all taxing districts is extended against all taxable parcels to derive property taxes. The aggregate tax rate for a property is determined by summing the tax rates of all taxing districts having jurisdiction over that property.

Summarized in Table 7, *Taxing Agencies and Historic Tax Rates*, are historic tax rates for each of the taxing districts within the Near South Project Area's current Tax Codes. Additionally, Table 7 summarizes the aggregate tax rates for each Tax Code from 1990 through 1997.

As summarized in the previous section and illustrated in Table 7, the Tax Code for the Original Project Area was 76016 from 1990 to the present. In 1994 when the Original Project Area was amended to create the Near South Project Area two more tax codes were added, 76018 and 76516. In 1996 the Cook County Clerk's Office created a new tax code within the existing Near South Project Area, 76027. This did not add additional parcels or change the nature of the Near South Project Area. It merely allows for further sub-calculation of incremental EAV on the Tax Code level.

**TABLE 7: TAXING AGENCIES AND HISTORIC TAX RATES**

<b>Taxing Agency</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
0001-0 County of Cook	1.176	0.971	0.993	0.994	0.989	0.919
0002-0 Forest Preserve District of Cook County	0.063	0.072	0.073	0.072	0.074	0.074
0110-0 Metro Water Reclamation Dist of Gr Chgo	0.470	0.471	0.495	0.495	0.492	0.451
0253-0 Chicago Community College District 508	0.390	0.381	0.372	0.376	0.377	0.356
0375-5 City of Chicago Library Fund	0.000	0.000	0.000	0.000	0.000	0.000
0699-0 Chicago Urban Transportation District	0.000	0.000	0.000	0.000	0.000	0.000
0737-2 City of Chicago SSA #12	0.158	0.155	0.158	0.000	0.000	0.000
1001-0 City of Chicago	2.210	2.288	2.158	2.131	2.182	2.024
1002-0 Board of Education	4.267	4.324	4.167	4.251	4.327	4.084
1003-0 Chicago Park District	0.735	0.778	0.741	0.730	0.721	0.665
1004-0 Chicago School Finance Authority	0.190	0.150	0.265	0.296	0.291	0.270
<b>Sum of Taxing Agencies</b>	<b>9.659</b>	<b>9.590</b>	<b>9.422</b>	<b>9.345</b>	<b>9.453</b>	<b>8.843</b>

	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
<b>Tax Code Totals: Near South Project Area</b>						
76016 General City Rate+Urban Trans. Dist.+SSA12	9.659	9.590	9.422	9.345	9.453	8.843
76018 General City Rate+Urban Trans. Dist.	-	-	9.264	9.345	9.453	8.843
76027 General City Rate+Urban Trans. Dist.+SSA12	-	-	-	-	9.453	8.843
76016 General City Rate+Urban Trans. Dist.	-	-	9.264	9.345	9.453	8.843

source: Office of the Cook County Clerk

Erkila, Pettigrew, Allen & Payne, Inc.

February 10, 1999

The estimates of Incremental Taxes contained in this Report assume that (i) all existing Tax Codes will continue to be administered consistent with existing practices, (ii) no new Tax Codes will be established within the Near South Project Area, and (iii) while the County Clerk will maintain the existing Tax Codes which include the City of Chicago Special Service Area Number 12, ("SSA #12"), the SSA #12 will not levy taxes subsequent to assessment/levy year 1994.

#### Tax Limitation Act

On July 18, 1991, the Illinois General Assembly enacted Public Act 87-17, the "Tax Limitation Act." In the County, Public Act 87-17 requires, for the 1992 extension and subsequent extensions, the County Clerk to use the prior year EAV to determine the rate at which taxes are to be extended in the current year.

Effective February 12, 1995, the Illinois General Assembly enacted Public Act 89-1 to amend the Tax Limitation Act to apply to County taxing districts for the 1994 extension and subsequent extensions. In addition to continuing the requirement that prior year EAV be used to determine the rate at which taxes are to be extended in the current year, Public Act 89-1 requires that the growth in the 1994 extension be limited to 5 percent and that the growth in extensions subsequent to 1994 be limited to the lesser of 5 percent or the Consumer Price Index (CPI) for that year.

All taxing districts within the County, except home-rule municipalities, are subject to the Tax Limitation Act. In addition, any previously existing tax limits continue to apply to all applicable funds of taxing districts. Certain debt obligations are excluded from the Tax Limitation Act if separately levied, including general obligation bonds approved by referendum, general obligation bonds issued prior to March 1, 1995 and certain other fund extensions. Tax extensions for special service areas are specifically excluded from the Tax Limitation Act.

According to the State Department of Revenue publication entitled "*The Property Tax Extension Limitation Laws as Amended and Enacted by PA 89-1 and Their Application to Cook County Taxing Districts*," the County Clerk determines the final tax rate for extension under the Tax Limitation Act through the following steps.

1. Compute preliminary tax rates for each taxing district by fund. *First*, establish the maximum allowable levy for funds with rate limits. This is done by multiplying the prior year EAV by the fund's rate limit. *Second*, calculate the preliminary tax rates for funds with rate limits. This is done by dividing the lesser of the maximum allowable levy or the actual levy by the current year EAV.
2. Sum the preliminary rates for those funds subject to the Tax Limitation Act.
3. Compute the numerator of the "limiting rate" by multiplying the prior year extensions for funds subject to the Tax Limitation Act by 1.05 (for the 1994 levy) or by 1 plus the lesser of 5% or the CPI for the year (for levies subsequent to 1994).

4. Compute the denominator of the "limiting rate" by subtracting from the current year EAV the product of the AV of new property times the State Equalization Factor.
5. Compute the "limiting rate" by dividing the result of Step 3 by the result of Step 4.
6. Compare the sum of the preliminary rates from Step 2 to the "limiting rate" from Step 5.
  - If the sum of the preliminary rates from Step 2 is less than or equal to the "limiting rate," the district is not affected by the Tax Limitation Act and taxes are extended as usual.
  - If the sum of the preliminary rates from Step 2 is greater than the "limiting rate," the district is affected by the Tax Limitation Act.
7. If the district is affected by the Tax Limitation Act, reduce the preliminary rates which are subject to the Tax Limitation Act from Step 1 by multiplying each preliminary rate by a factor equal to the "limiting rate" divided by the sum of the preliminary rates from Step 2. (A taxing district may direct a different formula for the reductions, provided the "limiting rate" and the maximum rates computed using prior year EAV are not exceeded.)
8. Extend taxes using the rates computed in Step 7.

#### City and County Ordinances

Prior to the adoption of Public Act 89-1, the City and County each adopted tax limitation ordinances. The City adopted the Chicago Property Tax Limitation Ordinance in 1991, affecting extensions beginning with 1994 extensions, and the County adopted the Cook County Property Tax Relief Ordinance in 1994, affecting extensions beginning with 1995 extensions. Both ordinances (the "Local Ordinances") are designed to limit the annual growth of their respective extensions to the lesser of five percent or the percent change in the CPI. However, both ordinances may be amended, repealed or superseded pursuant to the home rule powers of the City and County, respectively, to override the limits and extend levies greater than five percent or the CPI.

#### Estimated Future Tax Rates

The combined effect of the Tax Limitation Act and the Local Ordinances has been applicable only to assessment/levy years 1995 through 1997 and the long-term effect of those limitations on tax rates is impossible to predict with certainty. TPAP has attempted to estimate the effect of the Tax Limitation Act and the Local Ordinances on future rates and has assumed that the Tax Limitation Act and the Local Ordinances will apply to all funds of all taxing districts (except special service areas) for the remaining life of the Near South Project Area. The resulting estimated future tax rates and the underlying assumptions used in each analysis are described below:

#### Tax Rate Analysis

Table 8 illustrates the estimated future tax rates derived in the Tax Rate Analysis.

TABLE 8: ESTIMATED FUTURE TAX RATES: 1998 - 2013

Assessment Year	Tax Codes 76016 <sup>(1)</sup> , 76018, 76027 <sup>(1)</sup> and 76516
	1998
1999	9.3552
2000*	8.9440
2001	9.3552
2002	9.3552
2003*	8.9440
2004	9.3552
2005	9.3552
2006*	8.9440
2007	9.3552
2008	9.3552
2009*	8.9440
2010	9.3552
2011	9.3552
2012*	8.9440
2013	9.3552

*\*City Reassessment Year*

<sup>(1)</sup> Includes the City's general tax rate (as in Tax Code 76016 and 76027) plus SSA 12 estimated future tax rate of 0.000 percent.

The estimated future tax rates illustrated in Table 8 were derived by analyzing actual data for 1991 through 1997 for each taxing district and estimating what the aggregate tax rate would have been in each year had both the Tax Limitation Act and the Local Ordinances been in effect. In future reassessment years, the estimated future tax rate is the average of what the tax rates would have been in the City's reassessment years 1991, 1994 and 1997. In future non-reassessment years, the estimated future tax rate is the average of what the tax rates would have been in the City's non-reassessment years 1992, 1993, 1995 and 1996. The Tax Rate Analysis utilizes the following data:

- Actual tax extension for each taxing district from 1991 through 1997.
- Actual change in EAV from the prior year for each taxing district from 1991 through 1997.
- Actual amount of new EAV for each taxing district from 1991 through 1997.
- Actual CPI factor used by the County Clerk from 1991 through 1997.

It should be noted that tax rates would decline from current levels in any future years where the growth in EAV for each taxing agency outpaces the allowable increases in each taxing agency's property tax levy.

#### **IV. A-8 Tax Collection Rate**

The tax collection rate attempts to account for taxes that are uncollected or are the result of errors in assessments. Based on data contained in the Cook County Treasurer's *Agency Collection Distribution Report as of 11/09/98* the average collection rate for the Near South Project Area has been 98.55% since the inception of the Original Project Area.

#### **IV. A-9 Calculation of Incremental Taxes**

Table 9, *Calculation of Estimated Incremental Taxes: 1998-2013*, illustrates the calculation of Incremental Taxes estimated to be generated within the Near South Project Area for the collection period 1999 through 2013. The estimate of Incremental Taxes contained in Table 9 reflects the actual tax rates for assessment/levy year 1997 and the estimated future tax rates illustrated in Table 8 for assessment/levy years 1998 through 2013 as applied to the estimated future EAV contained in Table 6.

In Section V, *Incremental Taxes: Historic and Future*, estimated Incremental Taxes are summarized for the remaining fifteen-year life of the Near South Project Area utilizing the estimated future tax rates.

#### **IV. A-10 Timing of Incremental Tax Collection**

Generally, Incremental Taxes are received and deposited into the Fund by the first business day of November of the year following the year of levy, *i.e.*, real estate tax increments, resulting from 1997 tax levies against EAV, are collected and deposited into the Fund by November of 1998 and are available for debt service by December of 1998. This process can be somewhat slower in City reassessment years, or in years with a substantial number of appeals. The summary of Incremental Tax revenues at the end of this Report (Table 12) estimates collections for each annual period ending December 31 for the Original Project Area. It is assumed that the City will not receive any distributions of Incremental Taxes from the County from the 2013 assessment.

#### **IV. A-11 Assessment and Project Duration**

It is assumed that the Near South Project Area will continue to be assessed at the levels set forth in this Report, and that the development projects and the Near South Redevelopment Plan will remain in place for the length of time required to retire the Bonds. According to the Act, all obligations issued by the City shall be retired within twenty (20) years of their date of issuance, and no later than twenty-three (23) years from the adoption of the ordinances establishing the Original Project Area.

**TABLE 9: CALCULATION OF ESTIMATED INCREMENTAL TAXES: 1998-2013  
COMPLETE BUT NOT YET ASSESSED, UNITS CLOSED AND UNDER CONTRACT  
NEAR SOUTH 1999 BOND ISSUE  
NEAR SOUTH REDEVELOPMENT PROJECT AREA  
CHICAGO, ILLINOIS**

Trkla, Pettigrew, Allen & Payne, Inc.  
February 10, 1999

**Total Estimated EAV**

Year	Property without Development Project	Completed Development Projects Fully Assessed	Completed Projects not Fully Assessed	Closed Units	Units Under Contract	Total Estimated EAV	Base EAV [2]	Incremental EAV	Tax Rate	Incremental Revenue Generated	Collection Rate [5]	Incremental Revenue Collected	Cumulative Revenue Collected
1 1997 *	\$169,691,701	\$21,713,678	\$3,328,496	\$0	\$0	\$194,733,875 [1]	\$128,812,758	\$65,921,117	8.8430% [3]	\$5,897,376 [4]	94.30%	\$0	\$0
2 1998	169,691,701	21,713,678	9,218,983	1,813,881	-	202,438,242	128,812,758	73,625,484	9.3552%	6,887,811	98.55%	5,561,000 [6]	5,561,000
3 1999	169,691,701	21,713,678	12,209,465	4,185,982	6,373,792	214,174,618	128,812,758	85,361,860	9.3552%	7,985,773	98.55%	6,788,000	12,349,000
4 2000 *	180,078,191	23,042,729	12,956,782	4,740,631	8,441,989	229,260,321	128,812,758	100,447,563	8.9415%	8,981,519	98.55%	7,870,000	20,219,000
5 2001	180,078,191	23,042,729	12,956,782	4,740,631	8,441,989	229,260,321	128,812,758	100,447,563	9.3552%	9,397,070	98.55%	8,851,000	29,070,000
6 2002	180,078,191	23,042,729	12,956,782	4,740,631	8,441,989	229,260,321	128,812,758	100,447,563	9.3552%	9,397,070	98.55%	9,261,000	38,331,000
7 2003 *	191,100,417	24,453,128	13,749,840	5,030,796	8,958,706	243,292,887	128,812,758	114,480,129	8.9415%	10,236,241	98.55%	9,261,000	47,592,000
8 2004	191,100,417	24,453,128	13,749,840	5,030,796	8,958,706	243,292,887	128,812,758	114,480,129	9.3552%	10,709,845	98.55%	10,088,000	57,680,000
9 2005	191,100,417	24,453,128	13,749,840	5,030,796	8,958,706	243,292,887	128,812,758	114,480,129	9.3552%	10,709,845	98.55%	10,555,000	68,235,000
10 2006 *	202,797,291	25,949,855	14,591,440	5,338,721	9,507,051	258,184,358	128,812,758	129,371,600	8.9415%	11,367,762	98.55%	10,555,000	78,790,000
11 2007	202,797,291	25,949,855	14,591,440	5,338,721	9,507,051	258,184,358	128,812,758	129,371,600	9.3552%	12,102,972	98.55%	11,400,000	90,190,000
12 2008	202,797,291	25,949,855	14,591,440	5,338,721	9,507,051	258,184,358	128,812,758	129,371,600	9.3552%	12,102,972	98.55%	11,927,000	102,117,000
13 2009 *	215,210,107	27,538,194	15,484,553	5,665,493	10,088,958	273,987,306	128,812,758	145,174,548	8.9415%	12,980,782	98.55%	11,927,000	114,044,000
14 2010	215,210,107	27,538,194	15,484,553	5,665,493	10,088,958	273,987,306	128,812,758	145,174,548	9.3552%	13,581,369	98.55%	12,793,000	126,837,000
15 2011	215,210,107	27,538,194	15,484,553	5,665,493	10,088,958	273,987,306	128,812,758	145,174,548	9.3552%	13,581,369	98.55%	13,384,000	140,221,000
16 2012 *	\$228,382,688	\$29,223,752	\$16,432,332	\$6,012,267	\$10,706,483	\$290,757,522	\$128,812,758	\$161,944,764	8.9415%	\$14,480,291	98.55%	13,384,000	153,605,000
17 2013											98.55%	14,270,000	\$167,875,000
<b>Total</b>										<b>\$170,600,068</b>		<b>\$167,875,000</b>	

\* City Reassessment Year

[1] Does not equal actual 1997 Total Near South Project EAV because partially assessed projects under construction are not relied upon for estimating incremental taxes in 1997.

The actual Near South Project Area EAV for assessment/levy year 1997 is \$195,171,648 according to the Cook County Clerk.

[2] Base EAV is the certified initial EAV for the Near South Project Area as certified by the Cook County Clerk in 1994.

[3] 8.843% is the 1997 tax rate of all tax codes within the Near South Project Area.

[4] \$5,897,376 is the amount of property tax increment due for tax year 1997 for the Near South Project Area according to the Cook County Clerk's Office of Tax Extension.

[5] Based on data contained in the Cook County Treasurer's Agency Collection Distribution Report as of 11/09/98 the average collection rate for the Near South Project Area has been 98.55% since the inception of the Original Project Area. The actual collection rate for tax year 1997 (collection year 1998) is 94.30% as of December 31, 1998.

[6] \$5,561,080 is the actual amount of property tax increment collected for tax year 1997 as of December 31, 1998 for the Near South Project Area.

All figures in the "Incremental Revenue Collected" Column have been rounded to the nearest thousand.



## V. INCREMENTAL TAXES: HISTORIC AND FUTURE

### HISTORIC INCREMENTAL TAXES

The Original Project Area began generating Incremental Taxes in assessment/levy year 1990 for taxes collected in 1991. Summarized in Table 10, *Historic Incremental Taxes: 1996-1997*, are the historic Incremental Taxes distributed to the City by the County. While the amounts shown are based on the most current data available from the County, the amounts may be subject to change due to overpayment of taxes, taxes sold in error, reductions through certificates of error or other reasons. With respect to the Near South Project Area, Incremental Taxes (including interest payments from the County to the City) collected to date total approximately \$18,098,000. Annual collections have ranged from approximately \$803,000 in assessment/levy year 1992 (collection year 1993) to approximately \$5,561,000 in assessment/levy year 1997 (collection year 1998).

### FUTURE INCREMENTAL TAXES

Summarized below are the estimated future Incremental Taxes that may be collected for the Near South Project Area. Estimates of future Incremental Taxes assume no delays or reductions in real estate values or taxes as a result of taxpayers contesting their AV, filing for Certificates of Exemptions, filing bankruptcy petitions, or pursuing other remedies taxpayers may seek to lower their tax obligations below that which is estimated in this Report.

The Future Incremental Taxes estimated in this analysis can be reviewed below and are also summarized in Table 11, *Summary of Estimated Incremental Taxes: 1998 - 2013*.

Based on the assumptions contained in this Report and utilizing the tax rates estimated from TPAP's Tax Rate Analysis (as illustrated in Table 8) and the estimated future EAV illustrated in Table 6, the assessment and reassessment of the land and existing improvements contained within the Near South Project Area is estimated to generate approximately \$167,875,000 in Incremental Taxes over the remaining fifteen-year life of the Near South Project Area ending November 28, 2013, ranging from \$5,561,000 in collection year 1998 to \$14,270,000 in collection year 2013.

Table 10: Historic Incremental Taxes: 1995-1997

Assessment Year	1995	1996	1997
Collection Year	1996	1997	1998
Current EAV	\$159,716,593	\$ 169,495,009	\$ 195,171,648
Certified Initial EAV	\$ 128,812,758	\$ 128,812,758	\$ 128,812,758
Incremental EAV <sup>1</sup>	\$ 30,903,835	\$ 43,519,972	\$ 66,689,764
Tax Rate	9.345%	9.453%	8.843%
Potential Incremental Taxes <sup>2</sup>	\$ 2,887,963	\$ 4,113,943	\$ 5,897,376

1. Incremental EAV is calculated on a tax code basis and not on an aggregate basis. Therefore, "Current EAV" less "Certified Initial EAV" may not equal "Incremental EAV" shown in this table.
2. Based on Cook County Master Agency Reports dated November 3, 1998.

**TABLE 11: SUMMARY OF ESTIMATED INCREMENTAL PROPERTY TAXES: 1998-2013**

ASSESSMENT YEAR	COLLECTION YEAR	ESTIMATED INCREMENTAL PROPERTY TAXES
1997 *	1998	\$5,561,000
1998	1999	\$6,788,000
1999	2000	\$7,870,000
2000 *	2001	\$8,851,000
2001	2002	\$9,261,000
2002	2003	\$9,261,000
2003 *	2004	\$10,088,000
2004	2005	\$10,555,000
2005	2006	\$10,555,000
2006 *	2007	\$11,400,000
2007	2008	\$11,927,000
2008	2009	\$11,927,000
2009 *	2010	\$12,795,000
2010	2011	\$13,384,000
2011	2012	\$13,384,000
2012 *	2013	\$14,270,000
<b>TOTAL</b>		<b>\$167,875,000</b>

\* Reassessment Year

[1] As the County generally distributes Incremental Property Taxes for each assessment year in October of the following year and the maximum life of the Near South Project Area is 23 years from the adoption date of the Original Project Area (November 28, 1990), the estimates above assume that no Incremental Property Taxes will be distributed to the City subsequent to 2013.

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**APPENDIX C**  
**FORM OF OPINION OF CO-BOND COUNSEL**

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**APPENDIX D**  
**SPECIMEN BOND INSURANCE POLICY**

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APPENDIX C

FORM OF OPINION OF CO-BOND COUNSEL

March 4, 1999

City of Chicago  
City Hall  
121 North LaSalle Street  
Chicago, Illinois 60602

Dain Rauscher Incorporated,  
as Representative of the Underwriters  
500 West Madison  
Suite 3000  
Chicago, Illinois 60661

Cole Taylor Bank  
850 West Jackson Boulevard  
8th Floor  
Chicago, Illinois 60607

We have acted as co-bond counsel in connection with the issuance and delivery by the City of Chicago (the "City") of \$42,500,000 aggregate principal amount of its Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 1999A (the "Series 1999A Bonds") and \$7,500,000 aggregate original principal amount of its Tax Increment Allocation Bonds (Near South Redevelopment Project), Series 1999B (Taxable) (the "Series 1999B Bonds" and together with the Series 1999A Bonds, the "Series 1999 Bonds").

In that regard, we have examined a certified copy of the record of proceedings of the City, together with various accompanying certificates, pertaining to the issuance of the Series 1999 Bonds. The record of proceedings includes an Ordinance, adopted by the City Council of the City on November 18, 1998, providing for the issuance of the Series 1999 Bonds and the Notification of Sale from the Chief Financial Officer of the City in connection with the sale of the Series 1999 Bonds (together the "Bond Ordinance"), the Trust Indenture, dated as of February 1, 1999, from the City to Cole Taylor Bank, as trustee, (the "Trustee") as amended and supplemented by the First Supplemental Indenture, dated as of February 1, 1999 (collectively, the "Indenture"), and certificates of officers of the City, the County of Cook, Illinois, the Trustee for the Series 1999 Bonds, the Trustee for the Series 1994A Bonds (as defined in the Bond Ordinance) and the Underwriters for the Series 1999 Bonds as to various factual matters.

The Series 1999A Bonds mature on November 15, 2013, and bear interest from their date until paid, payable semi-annually on May 15 and November 15 in each year, with the first interest payment date being May 15, 1999, at rates per year established by the Indenture.

The Series 1999A Bonds are subject to redemption in advance of their maturity as provided in the Bond Ordinance.

The Series 1999B Bonds mature on November 15, 2002, and bear interest from their date until paid, payable semi-annually on May 15 and November 15 in each year, with the first interest payment date being May 15, 1999, at rates per year established by the Indenture.

The Series 1999B Bonds are not subject to redemption prior to maturity.

Based upon this examination, we are of the opinion that:



1. The Bond Ordinance has been duly and lawfully adopted by the City, is in full force and effect and is valid and binding upon the City. The Indenture has been duly executed and delivered by the City and, assuming due authorization, execution and delivery by the Trustee, represents a valid and binding agreement of the City enforceable in accordance with its terms.

2. The Series 1999 Bonds are valid and legally binding limited obligations of the City. The Series 1999 Bonds, together with additional bonds which may be issued in the future on a parity with the Series 1999 Bonds, have a claim for payment, as to principal, redemption premium, if any, and interest on an equal and ratable basis solely from the Pledged Revenues (as defined in the Bond Ordinance) received by the City, including certain funds and accounts provided for in the Bond Ordinance, all as and to the extent and in the priority as provided for in the Bond Ordinance. The Series 1999 Bonds do not have a claim for payment from taxes of the City.

3. Interest on the Series 1999A Bonds under present law is not included in "gross income" for federal income tax purposes and thus is exempt from federal income tax based on gross income. This opinion is subject to the compliance of the City with its covenant in the Indenture to comply with all requirements which must be met in order for interest on the Series 1999A Bonds not to be included in gross income for federal tax purposes under present law. The City has the power to comply with its covenant. If the City were to fail to comply with these requirements, interest on the Series 1999A Bonds could be included in gross income for federal income tax purposes retroactive to the date the Series 1999A Bonds are issued. Interest on the Series 1999A Bonds will be taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations, in computing the environment tax imposed on certain corporations and in computing the "branch profits tax" imposed on certain foreign corporations. Ownership of the Series 1999A Bonds may result in other federal tax consequences arising with respect to the Series 1999A Bonds. Interest on the Series 1999 Bonds is not an item of tax preference for calculation of an alternative minimum for individuals under present law.

The interest on the Series 1999 Bond is not exempt from present Illinois taxes.

The rights of owners of the Series 1999 Bonds, the obligations of the City and the enforceability of the Series 1999 Bonds, the Bond Ordinance and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the Series 1999 Bonds and the Bond Ordinance by equitable or similar remedies may be subject to general principles of law or equity governing such remedies, including the exercise of judicial discretion whether to grant any particular form of relief.

# Ambac

## Municipal Bond Insurance Policy

Ambac Assurance Corporation  
c/o CT Corporation Systems  
44 East Mifflin Street, Madison, Wisconsin 53703  
Administrative Office:  
One State Street Plaza, New York, New York 10004  
Telephone: (212) 668-0340

Issuer:

Policy Number:

Bonds:

Premium:

### Ambac Assurance Corporation (Ambac) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Ambac will make such payments to the Insurance Trustee within one (1) business day following notification to Ambac of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's right to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of Ambac or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to Ambac all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

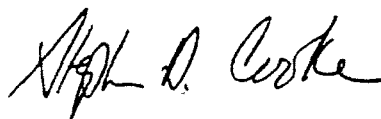
As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative:

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy



Authorized Officer



**Near South Redevelopment Project Area  
1999 Annual Report**

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**(9) ANALYSIS OF DEBT SERVICE - 65 ILCS 5/11-74.4-5(d)(8)(B)**

This information is contained in the official statements, limited offering memorandum, promissory note or debt service schedules. (Please see attached.)

**Near South Redevelopment Project Area  
1999 Annual Report**

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**(10) CERTIFIED AUDIT REPORTS - 65 ILCS 5/11-74.4-5(d)(9)**

Please see attached.

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

*Established 1922*

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

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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.

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 combined balance sheet of Near South Redevelopment Project of the City of Chicago, Illinois as of December 31, 1999, and the related combined statement of revenues, expenditures and changes in fund balance for the year then ended, and have issued our report thereon dated May 19, 2000.

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 (g) 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 Near 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

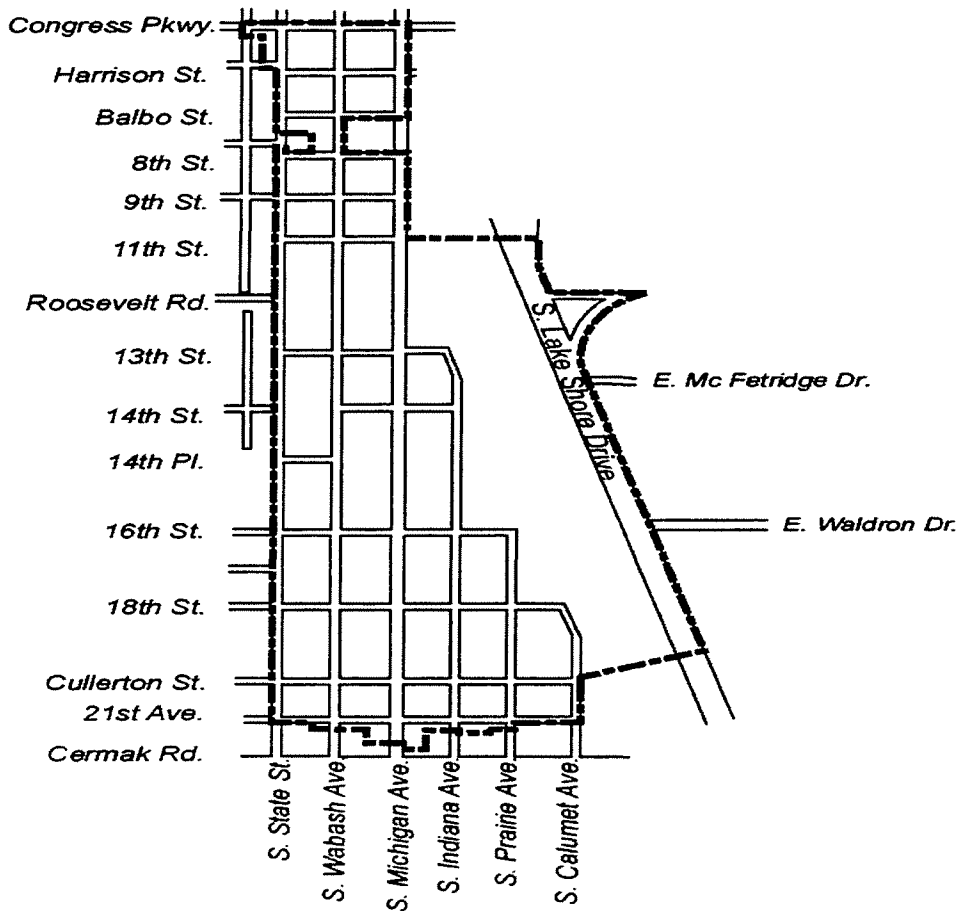
May 19, 2000

# Near South Redevelopment Project Area 1999 Annual Report

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## (11) GENERAL DESCRIPTION

The Project Area, as amended, is generally bounded by Congress Parkway on the north, Michigan and Calumet Avenues and Lake Shore Drive on the east, 21<sup>st</sup> Street and the northern boundary of the Michigan/Cermak Project Area on the South, and State Street 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.



**1999 AMENDMENT**

**TO THE**

**NEAR SOUTH**

**REDEVELOPMENT PROJECT AREA**



The following is said ordinance as passed:

WHEREAS, The City Council (the "City Council") of the City of Chicago (the "City"), a home rule unit of government under Section 6(a), Article VII of the Constitution of the State of Illinois, by separate ordinances approved November 28, 1990 and published in the Journal of the Proceedings of the City Council (the "Journal of Proceedings") for such date at pages 25969 -- 26047, has previously (1) approved the Central Station Area Tax Increment Financing Redevelopment Plan and Project (the "Original Area Redevelopment Project and Plan"), (2) designated the Central Station Area Redevelopment Project Area (the "Original Redevelopment Project Area") as a redevelopment project area, and (3) adopted tax increment allocation financing for the Original Redevelopment

Project Area, all pursuant to the Tax Increment Allocation Redevelopment Act, presently codified at 65 ILCS 5/11-74.4-1, et seq. (1996 State Bar Edition), as amended (the "Act"); and

WHEREAS, In 1994, the City amended the Original Area Redevelopment Project and Plan to expand the boundaries of the Original Redevelopment Project Area, to designate such expanded project area as a redevelopment project area under the Act, and to provide for the development of such expanded project area and the use of tax increment financing for certain additional redevelopment project costs (the "1994 Amendments"); and

WHEREAS, In approving the 1994 Amendments, the City Council, by separate ordinances approved August 3, 1994, and published in the Journal of the Proceedings for such date at pages 57846 -- 54950, has amended the Original Area Redevelopment Project and Plan by (1) approving the Near South Tax Increment Financing Redevelopment Project and Plan (the "Expanded Area Redevelopment Project and Plan"), (2) renaming the Original Redevelopment Project Area and the additional project area resulting from the expanded boundaries as the Near South Redevelopment Project Area (the "Expanded Redevelopment Project Area") and designating the Expanded Redevelopment Project Area as a redevelopment project area, and (3) adopting tax increment allocation financing for the Expanded Redevelopment Project Area, all pursuant to the Act; and

WHEREAS, The City has determined that an additional amendment to the Expanded Area Redevelopment Project and Plan ("Amendment Number 2") is necessary in order to incorporate the "portability" language included in the Act and in the Illinois Industrial Jobs Recovery Law, 65 ILCS 5/11-74.6-15(s) (1996 State Bar Edition), in order to permit the City to transfer tax incremental revenues to and from the Expanded Redevelopment Project Area and other redevelopment areas contiguous to or separated only by a public right-of-way from, the Expanded Redevelopment Project Area, and vice versa; and

WHEREAS, Pursuant to Sections 5/11-74.4-4 and 5/11-74.4-5 of the Act, the Community Development Commission (the "Commission") of the City, by authority of the Mayor and the City Council (referred to herein collectively with the Mayor as the "Corporate Authorities") called a public hearing (the "Hearing") concerning approval of Amendment Number 2 pursuant to the Act on March 9, 1999; and

WHEREAS, Amendment Number 2 was made available for public inspection and review pursuant to Section 5/11-74.4-5(a) of the Act beginning January 6,

1999, being a date prior to the adoption by the Commission of Resolution 99-CDC-9 on January 12, 1999, fixing the time and place for the Hearing, at the offices of the City Clerk and the City's Department of Planning and Development; and

WHEREAS, Due notice of the Hearing was given pursuant to Section 5/11-74.4-6 of the Act, said notice being given to all taxing districts having property within the Expanded Redevelopment Project Area and to the Department of Commerce and Community Affairs of the State of Illinois by certified mail on January 15, 1999, by publication in the *Chicago Sun-Times* or *Chicago Tribune* on February 8, 1999 and February 26, 1999, and by certified mail to taxpayers within the Expanded Redevelopment Project Area on February 16, 1999; and

WHEREAS, A meeting of the joint review board established pursuant to Section 5/11-74.4-5(b) of the Act (the "Board") was convened upon the provision of due notice on January 29, 1999 at 10:00 A.M., concerning the approval of Amendment Number 2; and

WHEREAS, The Commission has forwarded to the City Council a copy of its Resolution 99-CDC-44 attached hereto as Exhibit A, adopted on March 9, 1999, recommending to the City Council approval of Amendment Number 2; and

WHEREAS, The Corporate Authorities have reviewed Amendment Number 2, testimony from the Hearing, if any, the recommendation of the Board, if any, the recommendation of the Commission and such other matters or studies as the Corporate Authorities have deemed necessary or appropriate to make the findings set forth herein, and are generally informed of the conditions existing in the Expanded Redevelopment Project Area; now, therefore,

*Be It Ordained by the City Council of the City of Chicago:*

SECTION 1. Recitals. The above recitals are incorporated herein and made a part hereof.

SECTION 2. Addition Of Portability Language. The City, pursuant to Section 5/11-74.4-5 of the Act, hereby amends Section 5.E of the Expanded Area Redevelopment Project and Plan, entitled "Sources of Funds to pay Redevelopment Project Costs", to include the following concluding paragraph:

"If the Redevelopment Project Area is contiguous to, or separated only by a public right-of-way from, one or more redevelopment project areas created under the Act, the City may utilize revenues received under the Act from the

redevelopment Project Area to pay eligible redevelopment project costs, or obligations incurred to pay such costs, in other contiguous redevelopment project areas or other redevelopment project areas separated only by a public right-of-way, and vice versa. In addition, if the Redevelopment Project Area is contiguous to, or separated only by a public right-of-way from, one or more redevelopment project areas created under the Industrial Jobs Recovery Law (an "I.J.R.L. Project Area") 65 ILCS 5/11-74.6-1 et seq. (1996 State Bar Edition), as amended (the "Law"), the City may utilize revenues received from such I.J.R.L. Project Area(s) to pay eligible redevelopment project costs or obligations issued to pay such costs in the Redevelopment Project Area, and vice versa. Such revenues may be transferred outright from or loaned by the I.J.R.L. Project Area to the Redevelopment Project Area, and vice versa. The amount of revenue from the Redevelopment Project Area made available to support any contiguous redevelopment project areas, or those redevelopment project areas separated only by a public right-of-way, when added to all amounts used to pay eligible redevelopment project costs within the Redevelopment Project Area, shall not at any time exceed the total Redevelopment Project Costs described in this Redevelopment Plan. This paragraph is intended to give the City the full benefit of the "portability" provisions set forth in the Act, 65 ILCS 5/11-74.4-4(q) and the Law, 65 ILCS 5/11-74.6-15(s)".

SECTION 3. Reaffirmation Of Existing Plan And Project. Except as amended hereby, the Expanded Area Redevelopment Plan and Project shall remain in full force and effect.

SECTION 4. Invalidity Of Any Section. If any provision of this ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this ordinance.

SECTION 5. Superseder. All ordinances, resolutions, motions or orders in conflict with this ordinance are hereby repealed to the extend of such conflict.

SECTION 6. Effective Date. This ordinance shall be in full force and effect immediately upon its passage.

Exhibit "A" referred to in this ordinance reads as follows:

*Exhibit "A".*

*Community Development Commission*

*Of The*

*City Of Chicago*

*Resolution 99-CDC-44*

*Recommending To The City Council Of*

*The City Of Chicago*

*Amendment Number 2*

*To The Near South Tax Increment Financing*

*Redevelopment Project Area Plan.*

Whereas, The Community Development Commission (the "Commission") of the City of Chicago (the "City") has heretofore been appointed by the Mayor of the City with the approval of its City Council ("City Council", referred to herein collectively with the Mayor as the "Corporate Authorities") (as codified in Section 2-124 of the City's Municipal Code) pursuant to Section 5/11-74.4-4(k) of the Illinois Tax Increment Allocation Redevelopment Act, as amended (65 ILCS 5/11-74.4-1, et seq.)(1993)(the "Act"); and

Whereas, The Commission is empowered by the Corporate Authorities to exercise certain powers enumerated in Section 5/11-74.4-4(k) of the Act, including the holding of certain public hearings required by the Act; and

Whereas, On November 28, 1990, the City Council adopted ordinances to: 1) approve the Central Station Area Tax Increment Financing Redevelopment Project and Plan (the "Original Project and Plan"); 2) designate the Central Station Project Area (the "Original Redevelopment Project Area") as a redevelopment project area; and 3) adopt tax increment allocation financing for the Area, all pursuant to the Act; and

Whereas, On August 3, 1994 the City desired to expand the boundaries of the

Original Redevelopment Project Area, to designate such expanded project area as a redevelopment project Area under the Act, and to amend the Original Plan and Project to provide for the development of the area added to the Original Redevelopment Project Area and the use of tax increment financing for certain additional redevelopment project costs. To carry out this amendment, the City adopted ordinances to: 1) approve the Near South Tax Increment Financing Redevelopment Project and Plan (the "Expanded Area Redevelopment Project and Plan"); 2) designate the Original Redevelopment Project Area and the additional project area resulting from the expanded boundaries as the Near South Redevelopment Project Area, such area having the street boundaries described on (Sub)Exhibit A hereto, (the "Expanded Redevelopment Project Area"); and 3) adopt tax increment allocation financing for the Expanded Redevelopment Project Area, all pursuant to the Act; and

Whereas, Staff of the City's Department of Planning and Development ("D.P.D.") desire to add "portability" language to the Expanded Project and Plan in order to permit the transfer of incremental revenues under the Act and under the Industrial Jobs Recovery Law (65 ILCS 5/11-74.6-1 et. seq.) (1996 State Bar Edition) (the "Law") to and from the street boundaries of the Expanded Redevelopment Project Area and any contiguous redevelopment project areas or those redevelopment project areas separated only by a public right-of-way, in accordance with the Act and the Law; and

Whereas, D.P.D. has previously presented to the Commission for its review Amendment Number 2 to the Near South Tax Increment Financing Redevelopment Project and Plan, attached hereto as (Sub)Exhibit B (which has attached the Original Plan, as amended); and

Whereas, Prior to the adoption by the Corporate Authorities of Amendment Number 2, it is necessary that the Commission hold a public hearing pursuant to Section 5/11-74.4-5(a) of the Act (the "Hearing"), convene a meeting of a joint review board pursuant to Section 5/11-74.4-5(b) of the Act (the "Board"), set the dates of such Hearing and Board meeting and give notice thereof pursuant to Section 5/11-74.4-6 of the Act; and

Whereas, Amendment Number 2 (with the Expanded Plan attached thereto) was made available for public inspection and review prior to the adoption by the Commission of Resolution 99-CDC-9 on January 12, 1999 fixing the time and place for the Hearing, at City Hall, 121 North LaSalle Street, Chicago, Illinois, in the following offices: City Clerk, Room 107 and Department of Planning and Development, Room 1000; and

Whereas, Notice of the Hearing by publication was given at least twice, the first (1<sup>st</sup>) publication being on February 8, 1999, a date which is not more than thirty

(30) nor less than ten (10) days prior to the Hearing, and the second (2<sup>nd</sup>) publication being on February 26, 1999, both in the *Chicago Sun-Times*, being a newspaper of general circulation within the taxing districts having property in the Area; and

Whereas, Notice of the Hearing was given by mail to taxpayers by depositing such notice in the United States mail by both certified and regular mail addressed to the persons in whose names the general taxes for the last preceding year were paid on each lot, block, tract or parcel of land lying within the Area, on February 17, 1999 being a date not less than ten (10) days prior to the date set for the Hearing; and where taxes for the last preceding year were not paid, notice was also mailed to the persons last listed on the tax rolls as the owners of such property within the preceding three (3) years; and

Whereas, Notice of the Hearing was given by mail to the Illinois Department of Commerce and Community Affairs ("D.C.C.A.") and members of the Board (including notice of the convening of the Board), by depositing such notice in the United States mail by certified mail addressed to D.C.C.A. and all Board members, on January 15, 1999, being a date not less than forty-five (45) days prior to the date set for the Hearing; and

Whereas, Notice of the Hearing and copies of Amendment Number 2 (with the Expanded Plan attached thereto) were sent by mail to taxing districts having taxable property in the Area, by depositing such notice and documents in the United States mail by certified mail addressed to all taxing districts having taxable property within the Area, on January 15, 1999, being a date not less than forty-five (45) days prior to the date set for the Hearing; and

Whereas, The Hearing was held on March 9, 1999 at 1:00 P.M. at City Hall, City Council Chambers, 121 North LaSalle Street, Chicago, Illinois, as the official public hearing, and testimony was heard from all interested persons or representatives of any affected taxing district present at the Hearing and wishing to testify concerning the Commission's recommendation to City Council regarding approval of Amendment Number 2; and

Whereas, The Board meeting was convened on January 26, 1999 at 10:00 A.M. (being a date no more than fourteen (14) days following the mailing of the notice to all taxing districts on January 12, 1999) in Room 1003A, City Hall, 121 North LaSalle Street, Chicago, Illinois, to consider its advisory recommendation regarding the approval of Amendment Number 2; and

Whereas, The Commission has reviewed Amendment Number 2 (with the Expanded Plan attached thereto), considered testimony from the Hearing, if any, the recommendation of the Board, if any, and such other matters or studies as

the Commission deemed necessary or appropriate in making the findings set forth herein and formulating its decision whether to recommend to City Council approval of Amendment Number 2; now, therefore,

Be It Resolved by the Community Development Commission of the City of Chicago:

Section 1. The above recitals are incorporated herein and made a part hereof.

Section 2. The Commission hereby makes the following findings pursuant to Section 5/11-74.4-3(n) of the Act or such other Section as is referenced herein:

- a. the Amended Plan:
  - (i) conforms to the comprehensive plan for the development of the City as a whole; or
  - (ii) either (A) conforms to the strategic economic development or redevelopment plan issued by the Chicago Plan Commission or (B) includes land uses that have been approved by the Chicago Plan Commission;
- b. the Amended Plan meets all of the requirements of a redevelopment plan as defined in the Act; and the estimated date of completion of the projects described therein and retirement of all obligations issued to finance redevelopment project costs is not more than twenty-three (23) years from the date of the adoption of the ordinance approving the Expanded designation of the Area as a redevelopment project area; and, as required pursuant to Section 5/11-74.4-7 of the Act, no such obligation shall have a maturity date greater than twenty (20) years;
- c. the Area includes only those contiguous parcels of real property and improvements thereon that will substantially benefit by the proposed Amended Plan improvements, as required pursuant to Section 5/11-74.4-4(a) of the Act; and
- d. as required pursuant to Section 5/11-74.4-3(p) of the Act:
  - (i) the Area, as amended, is not less, in the aggregate, than one and one-half (1 ½) acres in size; and
  - (ii) conditions exist in the Area, as amended, that cause it to qualify for designation as a redevelopment project area and a blighted area as defined in the Act.



Section 3. The Commission recommends that the City Council approve Amendment Number 2 pursuant to Section 5/11-74.4-4 of the Act.

Section 4. The Commission recommends that the City Council designate the Area, as amended, as a Redevelopment Project Area pursuant to Section 5/11-74.4-4 of the Act.

Section 5. The Commission recommends that the City Council adopt Tax Increment Allocation financing within the Area, as amended.

Section 6. If any provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this resolution.

Section 7. All resolutions, motions or orders in conflict with this resolution are hereby repealed to the extent of such conflict.

Section 8. This resolution shall be effective as of the date of its adoption.

Section 9. A certified copy of this resolution shall be transmitted to the City Council.

Adopted: March 9, 1999.