

26th & King Drive Redevelopment Project Area
Tax Increment Finance District
Eligibility Study, Redevelopment Plan and Project

City of Chicago
Richard M. Daley, Mayor

July 28, 2005

1. Executive Summary

In May of 2005, *S. B. Friedman & Company* was engaged to conduct a Tax Increment Financing Eligibility Study (the "Eligibility Study") for the proposed 26th & King Drive Redevelopment Project Area. This report details the eligibility factors found within the proposed 26th & King Drive Redevelopment Project Area in support of its designation as a "conservation area" within the definitions set forth in the Illinois Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 et seq., as amended (the "Act"), and thus in support of its designation as the 26th & King Drive Redevelopment Project Area (the "26th & King Drive RPA" or "RPA"). In addition, since the Eligibility Study has determined that the RPA qualifies as a conservation area, this report also contains the Redevelopment Plan and Project (the "Redevelopment Plan" or "Redevelopment Plan and Project") for the 26th & King Drive RPA.

The 26th & King Drive RPA is located within the Near South Side Community Area ("Community Area") of the City of Chicago and encompasses the Mercy Hospital Campus. The RPA is generally bounded by 25th Street on the north, 26th Street on the south, Martin Luther King Drive on the east, and the alley west of Michigan Avenue on the west. The RPA is regular in shape, consists of 13 tax parcels on 2 blocks, and is located wholly within the City of Chicago.

Determination of Eligibility

This Eligibility Study concludes that the 26th & King Drive RPA is eligible for Tax Increment Financing ("TIF") designation as a "conservation area" because fifty percent (50%) or more of the structures in the area are 35 years in age or older, and because the following five eligibility factors have been found to be present to a meaningful extent and reasonably distributed throughout the RPA:

1. Deterioration;
2. Inadequate Utilities;
3. Excessive Vacancies;
4. Obsolescence; and
5. Deleterious Land Use/Layout.

Redevelopment Plan, Goal, Objectives, and Strategies

Goal. The overall goal of the Redevelopment Plan is to reduce or eliminate the conditions that qualify the 26th & King Drive RPA as a conservation area and to provide the mechanisms necessary to support public and private development and improvements in the RPA. This goal is to be achieved through an integrated and comprehensive strategy that leverages public resources to stimulate additional private investment.

Objectives. Eight broad objectives support the overall goal of area-wide revitalization of the 26th & King Drive RPA. These include:

1. Provide resources for the rehabilitation, modernization, and/or expansion of the Mercy Hospital;
2. Facilitate the redevelopment of the eastern half of the existing Mercy Hospital Campus by providing resources for site assembly and preparation, including demolition and environmental cleanup, where necessary;
3. Provide public infrastructure where needed, including new streets, underground sewer and water systems, sidewalks, alleys, and other public improvements in order to create a physical environment that is conducive to private development;
4. Support residential development that accommodates a diverse economic and demographic mix of residents, including the development of new affordable housing;
5. Provide adequate on- and off-street parking for visitors and residents within the RPA;
6. Provide opportunities for women-owned, minority-owned, and locally-owned businesses to share in permanent and construction job opportunities associated with the redevelopment of the 26th and King Drive RPA;
7. Support job training and welfare to work programs and increase employment opportunities for area residents; and
8. Provide daycare assistance as necessary to support the employees of the Mercy Hospital.

Strategies. These objectives will be implemented through four specific and integrated strategies. These include:

1. **Facilitate Property Assembly, Demolition, and Site Preparation.** Financial assistance may be provided to private developers seeking to acquire land and assemble and prepare sites in order to undertake projects in support of this Redevelopment Plan and Project.

To meet the goals of this Redevelopment Plan and Project, the City may acquire and assemble property throughout the RPA. Land assemblage by the City may be by purchase, exchange, donation, lease, eminent domain, through the Tax Reactivation Program or other programs and may be for the purpose of (a) sale, lease or conveyance to private developers, or (b) sale, lease, conveyance or dedication for the construction of public improvements or facilities. Site preparation may include such preparatory work as demolition of existing improvements and environmental remediation, where appropriate. Furthermore, the City may require written redevelopment agreements with developers before acquiring any properties. As appropriate, the City may devote acquired property to temporary uses until such property is scheduled for disposition and development.

In connection with the City exercising its powers to acquire real property, including the exercise of the power of eminent domain, under the Act in implementing this Redevelopment Plan and Project, the City will follow its customary procedures of having each such acquisition recommended by the Community Development Commission (or any successor commission) and authorized by the City Council of the City. Acquisition of such real property as may be authorized by the City Council does not constitute a change in the nature of this Plan. Relocation assistance may be provided to facilitate redevelopment of portions of the RPA, and to meet other City objectives. Businesses or households legally occupying properties to be acquired by the City may be provided with relocation advisory and/or financial assistance as determined by the City.

2. **Implement Public Improvements.** A series of public improvements throughout the 26th & King Drive RPA may be designed and implemented to help define and create an identity for the area, prepare sites for anticipated private investment, and create a more conducive environment for private development. Public improvements that are implemented with TIF assistance are intended to complement and not replace existing funding sources for public improvements in the RPA.

These improvements may include improvement or development of new streets, streetscaping, street and sidewalk lighting, alleyways, underground water and sewer infrastructure, parks or open space, and other public improvements consistent with the Redevelopment Plan and Project. These public improvements may be completed pursuant to redevelopment agreements with private entities or intergovernmental agreements with other public entities, and may include the construction, rehabilitation, renovation, or restoration of public improvements on one or more parcels.

3. **Encourage Private Sector Activities and Support Rehabilitation of Medical Facilities.** Through the creation and support of public-private partnerships, or through written agreements, the City may provide financial and other assistance to encourage the private sector, including local property owners, to undertake rehabilitation and redevelopment projects and other improvements, in addition to programming such as job training and retraining, that are consistent with the goals of this Redevelopment Plan and Project, including the rehabilitation of Mercy Hospital.

The City may enter into redevelopment agreements or intergovernmental agreements with private entities or public entities to construct, rehabilitate, renovate, or restore private or public improvements on one or several parcels (collectively referred to as "Redevelopment Projects").

The City requires that developers who receive TIF assistance for market-rate housing set aside twenty percent (20%) of the units to meet affordability criteria established by the City's Department of Housing or any successor agency. Generally, this means that affordable for-sale housing units should be priced at a level that is affordable to persons earning no more than one hundred percent (100%) of the area median income, and affordable rental units should be affordable to persons earning no more than sixty percent

(60%) of the area median income. TIF funds can also be used to pay for up to fifty percent (50%) of the cost of construction or up to seventy five percent (75%) of interest costs for new housing units to be occupied by low-income and very low-income households as defined in Section 3 of the Illinois Affordable Housing Act.

- 4. Develop Vacant and Underutilized Sites.** The redevelopment of vacant and underutilized properties within the 26th & King Drive RPA is expected to stimulate private investment and increase the overall taxable value of properties within the RPA. Development of vacant and/or underutilized sites is anticipated to have a positive impact on other properties beyond the individual project sites.

Required Findings

The conditions required under the Act for the adoption of the Eligibility Study and Redevelopment Plan and Project are found to be present within the 26th & King Drive RPA.

1. The RPA has not been subject to growth and development through investment by private enterprise or not-for-profit sources. This lack of investment is evidenced by the fact that the hospital has approximately \$65 million in deferred maintenance and facility rehabilitation and improvement needs, as outlined in Mercy Hospital's capital improvement budget.

Mercy Hospital has been and will continue to be unable to make significant investments in its facility because it is a not-for-profit hospital which relies heavily on state and federal government funding and is a Disproportionate Share Hospital as defined by the State, meaning that it serves a high proportion of Medicaid patients. Medicaid patients account for forty three percent (43%) of all Mercy patients. Both of these factors limit the revenues of the hospital, and the dollars available for facility improvements.

In addition, over the years three of the four buildings have fallen into disuse and have become vacant. These properties have remained vacant primarily because the cost required to rehabilitate the buildings to modern standards cannot be supported by the private market. The improvements required to bring the buildings to modern standards are extensive, with significant renovations reportedly required to make the buildings marketable. The current hospital operations results in excess land that could be made available for development. However, the current level of infrastructure serving the site is insufficient to support private market redevelopment.

2. Without the support of public resources, the redevelopment objectives of the 26th & King Drive RPA will most likely not be realized. TIF assistance may be used to fund rehabilitation, land assembly, site preparation, infrastructure improvements, and expansions to public facilities. Without the creation of the 26th & King Drive RPA, these types of projects are not likely to occur. Due to Mercy Hospital's mission of serving the economically and socially disadvantaged, it is unlikely that the hospital will have the resources available to upgrade and modernize its facility in the future. In addition, the site

preparation and public infrastructure that is necessary to facilitate the redevelopment of the obsolete eastern portion of the campus are so extensive that it would most likely not be able to be absorbed by the private market on its own without public assistance.

3. The 26th & King Drive RPA includes only the contiguous real property that is expected to substantially benefit from the proposed Redevelopment Plan and Project improvements.
4. The proposed land uses described in this Redevelopment Plan and Project will be approved by the Chicago Plan Commission prior to its adoption by the City Council.

2. Introduction

The Study Area

This document serves as the Eligibility Study and Redevelopment Plan and Project for the 26th & King Drive Redevelopment Project Area. The 26th & King Drive RPA is located within the Near South Side Community Area of the City of Chicago (the "City"), in Cook County (the "County"). In May 2005, *S. B. Friedman & Company* was engaged to conduct a study of certain properties in this neighborhood to determine whether the area containing these properties would qualify for status as a "blighted area" and/or "conservation area" under the Act.

The Eligibility Study and Plan summarizes the analyses and findings of *S.B. Friedman & Company's* work, which, unless otherwise noted, is the responsibility of *S.B. Friedman & Company*. The City is entitled to rely on the findings and conclusions of this Eligibility Study and Plan in designating the 26th & King Drive Redevelopment Project Area as a redevelopment project area under the Act. *S. B. Friedman & Company* has prepared this Eligibility Study and Plan with the understanding that the City would rely: 1) on the findings and conclusions of the Eligibility Study and Plan in proceeding with the designation of the 26th & King Drive Redevelopment Project Area and the adoption and implementation of the Plan, and 2) on the fact that *S.B. Friedman & Company* has obtained the necessary information to conclude that the 26th & King Drive Redevelopment Project Area can be designated as a redevelopment project area under the Act and that the Eligibility Study and Plan will comply with the Act.

The community context of the 26th & King Drive RPA is detailed on Map 1. The 26th & King Drive RPA is located within the Near South Side Community Area ("Community Area") of the City of Chicago and encompasses the Mercy Hospital Campus. The RPA is generally bounded by 25th Street on the north, 26th Street on the south, Martin Luther King Drive on the east, and the alley west of Michigan Avenue on the west. The RPA is regular in shape, consists of 13 tax parcels on 2 blocks, and is located wholly within the City of Chicago.

Map 2 details the boundary of the 26th & King Drive RPA, which includes only the contiguous real property that is expected to substantially benefit from the Redevelopment Plan and Project improvements discussed herein.

Appendix 1 contains a legal description of the 26th & King Drive RPA.

The Eligibility Study covers events and conditions that exist and that were determined to support the designation of the 26th & King Drive RPA as a "conservation area" under the Act at the completion of our research on July 1, 2005 and not thereafter. Events or conditions, such as governmental actions and additional developments occurring after that date are excluded from the analysis. The improved parcels suffer from deterioration of buildings, infrastructure, and parking; structures below contemporary code standards, excessive vacancy; inadequate utilities; and lack of growth and investment. Without a comprehensive approach to address these issues, the RPA is not

likely to benefit from future development opportunities. The Redevelopment Plan and Project address these issues by providing the means to facilitate private development and rehabilitation, and the construction of public infrastructure. These improvements will benefit all of the property within the RPA by alleviating conditions qualifying the RPA as a conservation area.

History of Community Area¹

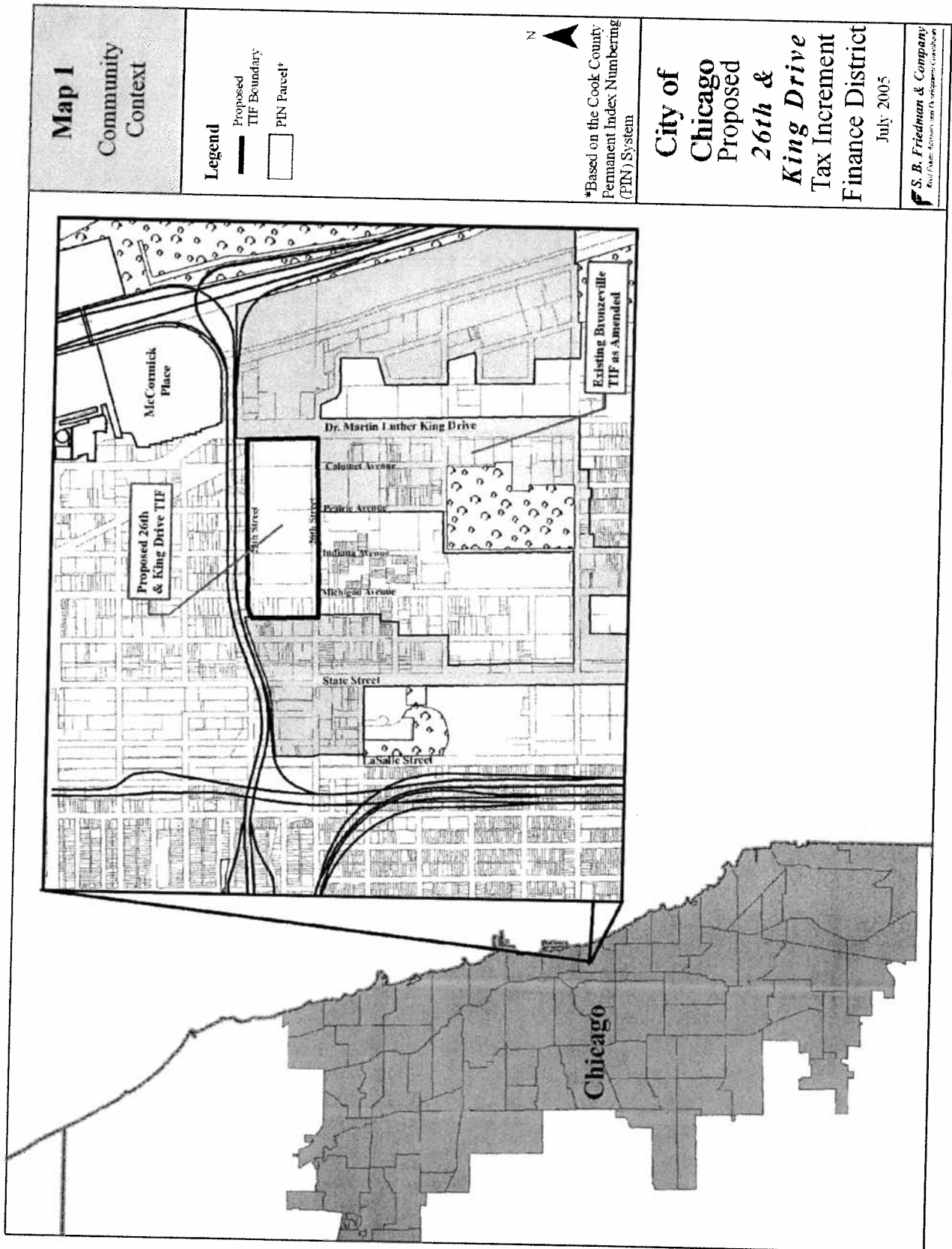
Mercy Hospital and the proposed 26th & King Drive RPA are located within the Near South Side Community Area which is roughly bounded by Roosevelt Road to the north, 26th Street to the south, Lake Michigan to the east, and the South Branch of the Chicago River and Clark Street to the west.

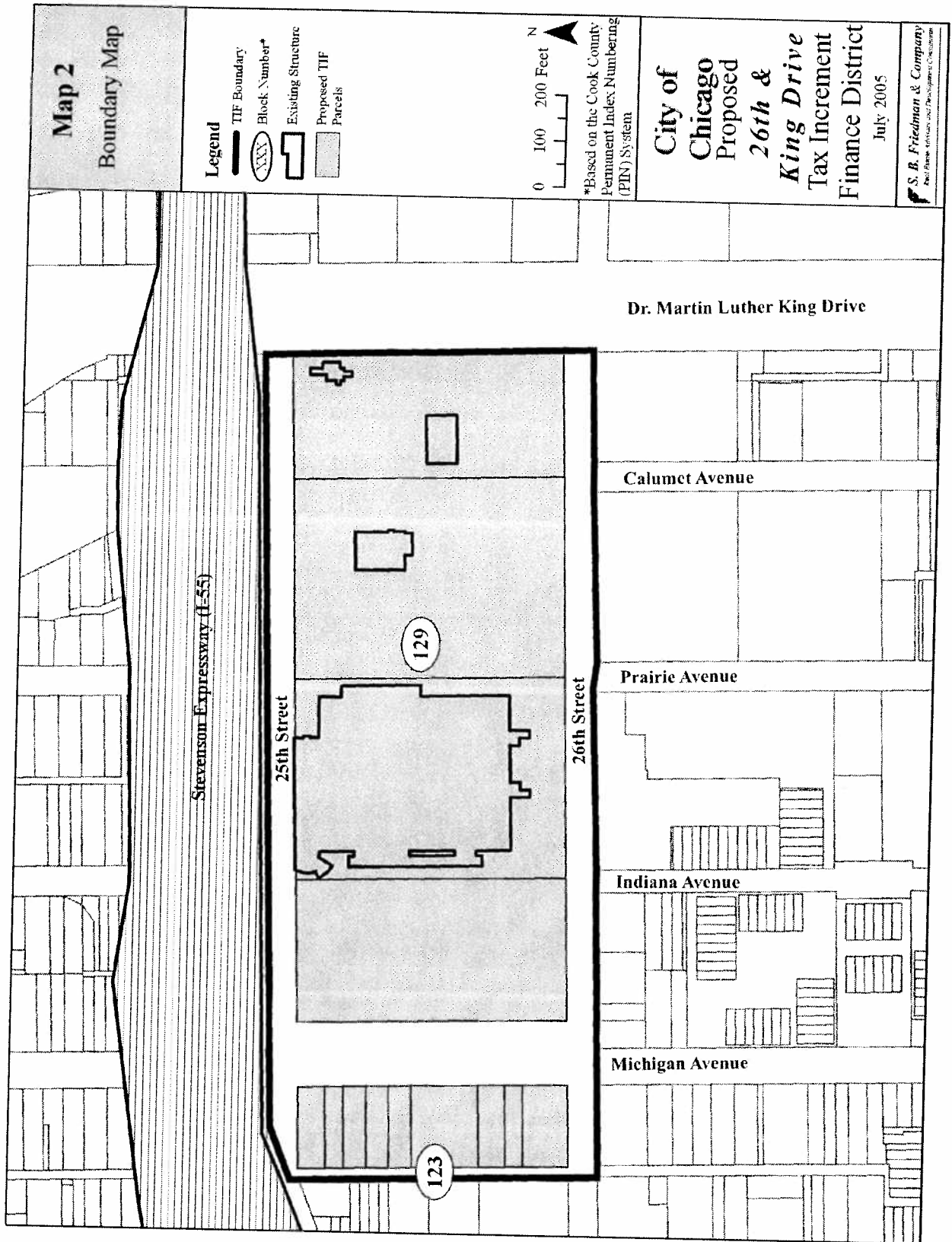
The Near South Side, formerly a lakeside sand ridge, developed following the influx of Germans, Irish and Scandinavians who located in the community to work first on the Illinois & Michigan Canal in 1836 and subsequently in the lumber district along the South Branch of the Chicago River. Railroad development in the community in the 1850s brought related industries attracting additional workers to the area as did horsecar lines which were extended from the loop. The community was incorporated into the City of Chicago in 1853.

Wealthy families, including the Armours, Pullmans, and Files built mansions in the northern half of the Near South Side taking advantage of its proximity to the expanding Chicago business district following the Civil War. The Fire of 1871 transformed the community as old mansions were converted to rooming houses and commercial uses serving as temporary locations for Loop businesses destroyed by the fire.

Further development occurred upon conversion of the horsecar lines to cable cars in the 1880s, especially along Cottage Grove, State Street and South Michigan Avenue. The character of the community began changing in the 1890s with the development of the elevated railroad, apartment buildings, and hotels in anticipation of the 1893 Columbian Exposition. Printing warehouses and automobile dealerships began locating in the community in the early teens and 1920s, forced out of the Loop by expanding retail and office developments. Subsequent years brought several important developments in the Near South Side community including the museum campus, lakefront park expansions, Meigs Field, and McCormick Place.

¹ Information on the history of the Near South Side community areas was derived from the Local Community Fact Book of Chicago Metropolitan Area 1990, edited by the Chicago Fact Book Consortium (copyright 1995, Board of Trustees of the University of Illinois) at pages 118-119.





Major demographic shifts began taking place after World War I, and immediately after World War II as African-Americans began migrating to the area in search of low-rents. Area population declined as older Irish and German residents moved to other communities. African-Americans faced housing discrimination which forced them into the Near South Side resulting in a dramatic demographic shift--the African-American population in the community increased from twenty five percent (25%) of the population in the 1920s, 1930s, and 1940s to ninety four percent (94%) by 1990. A concentration of poverty resulted leading to slum conditions. Public housing developments, subsequently replaced slums in urban renewal efforts in the 1950s and 1960s resulting in further concentrated poverty and isolation. At the same time, the number of housing units continued declining and a third of the population was lost since the peak in 1950.

During the real estate development upswing in the 1990s, renewed interest in the area south of the Loop surged as the west and north sides of Chicago continued transforming and building out. Phase II of Dearborn Park brought middle-class families and higher-priced housing south of Roosevelt Road. The first phase of Central Station began in the early 1990s on the former Illinois Central rail yards with 3,500 residential units planned. Former industrial buildings along Wabash and Michigan have been converted to loft apartments, and Printers Row has recovered from R.R. Donnelley's move in the early 1990s with loft conversions and commercial development.

Recently, several colleges in the area have developed student housing. Public housing developments are slowly being cleared and sites are being converted to mixed-income communities. Large tracts of vacant land continue to attract additional proposals. The Near South Side appears to be in the path of redevelopment as the South Loop transforms with the development of market rate housing, restaurants and retail.

History of Mercy Hospital

Mercy Hospital was established in 1852, and moved to its current location at 26th and King Drive in 1863. From its inception, Mercy Hospital has had a commitment to serving the economically and socially disadvantaged in its immediate neighborhood. Today the hospital continues to provide a broad spectrum of health care services to all the diverse communities it serves. It is licensed for 477 beds, has 321 available beds, and currently 165 staffed beds.

The hospital has six ambulatory care facilities in the metropolitan Chicago area and six occupational health facilities under the name of Mercy Works. As a teaching hospital, Mercy has an affiliation with the medical schools of the University of Illinois and Loyola University and trains over 100 residents per year. Mercy also has a family health center, which offers clinical and prescription services to the indigent within the surrounding communities.

Mercy Hospital's mission of serving the economically and socially disadvantaged has made it difficult for the hospital to improve and modernize its buildings, equipment, and facilities. Over the years, three of the four buildings, all on the eastern half of the Mercy campus, have fallen into disuse and are either currently vacant or will be vacant by the time this plan is considered by the City of Chicago Community Development Commission (CDC). These include: 1) the MRI building, which at one time housed a 1.5 Telsa MRI imaging unit that was decommissioned and

vacated in 2002 due to technological obsolescence, 2) the Research Building which is a 93 year old building that has been closed for four years due to significant interior deterioration which has made it uninhabitable, and 3) the Interns/Resident Building which contains 40 one and two bedroom apartments and was used for temporary interns/residents housing. The Interns/Resident Building has fallen into disuse due to the poor condition of the apartments which have not been restored/renovated since the building was built in 1964 and because more of the hospital's resident staff now originate from the Chicago area and choose to live elsewhere. There are no current leases in this building. The units currently occupied by residents temporarily living in the facility will be leaving the building by July 31, 2005. At this time the building will be entirely vacant.

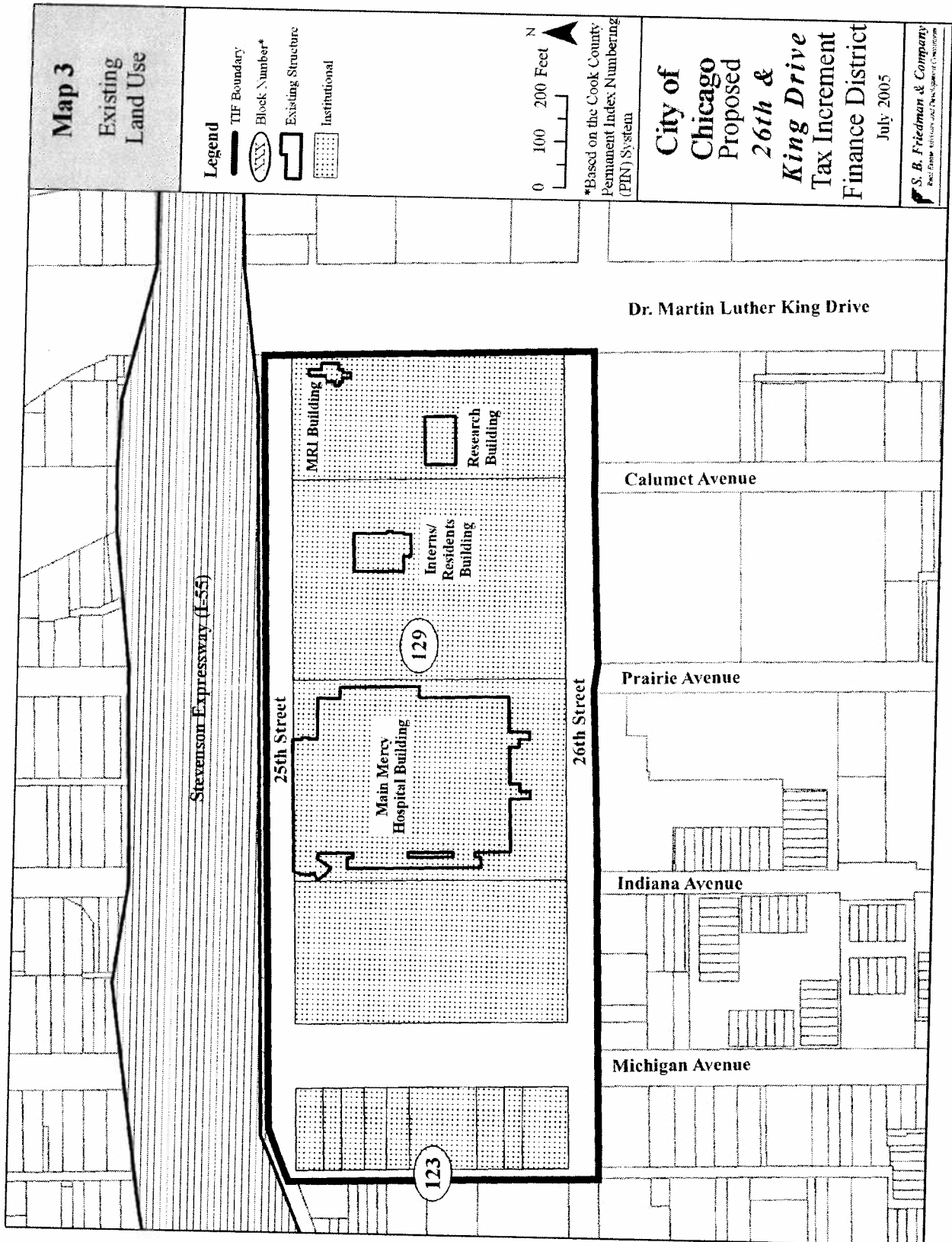
The 26th and King RPA is critical to provide the resources necessary to rehabilitate and modernize the hospital, as well as to construct the public infrastructure necessary to facilitate private redevelopment of the obsolete eastern half of the property no longer required for hospital operations.

Existing Land Use

The existing land use of the entire proposed 26th & King Drive RPA is institutional and consists of the Mercy Hospital Campus. The campus includes the main hospital building, the vacant research building, the vacant MRI building, and a residents/interns building, along with surface parking lots surrounding the buildings. The existing land use is shown on Map 3.

Historically Significant Structures

S. B. Friedman & Company obtained data from the Chicago Historic Resources Survey (the "CHRS") to identify architecturally and/or historically significant buildings located within the 26th & King Drive RPA. The CHRS identifies over 17,000 Chicago properties and contains information on buildings that may possess important architectural and/or historical significance. No structures located within the boundaries of the 26th & King Drive RPA are identified in the CHRS.



3. Eligibility Analysis

Provisions of the Illinois Tax Increment Allocation Redevelopment Act

Based upon the conditions found within the 26th & King Drive RPA at the completion of *S. B. Friedman & Company's* research, it has been determined that the 26th & King Drive RPA meets the eligibility requirements of the Act as a conservation area. The following text outlines the provisions of the Act to establish eligibility.

Under the Act, two primary avenues exist to establish eligibility for an area to permit the use of tax increment financing for area redevelopment: declaring an area as a "blighted area" and/or a "conservation area."

"Blighted areas" are those improved or vacant areas with blighting influences that are impacting the public safety, health, morals, or welfare of the community, and are substantially impairing the growth of the tax base in the area. "Conservation areas" are those improved areas which are deteriorating and declining and soon may become blighted if the deterioration is not abated.

The statutory provisions of the Act specify how a district can be designated as a "conservation" and/or "blighted area" district based upon an evidentiary finding of certain eligibility factors listed in the Act. The eligibility factors for each designation are identical for improved property. A separate set of factors exists for the designation of vacant land as a "blighted area." There is no provision for designating vacant land as a conservation area.

Factors for Improved Property

For improved property to constitute a "blighted area," a combination of five or more of the following thirteen eligibility factors listed at 65 ILCS 5/11-74.4-3 (a) and (b) must meaningfully exist and be reasonably distributed throughout the RPA. "Conservation areas" must have a minimum of fifty percent (50%) of the total structures within the area aged 35 years or older, plus a combination of three or more of the 13 eligibility factors which are detrimental to the public safety, health, morals, or welfare and which could result in such an area becoming a blighted area.

Dilapidation. An advanced state of disrepair or neglect of necessary repairs to the primary structural components of buildings or improvements in such a combination that a documented building condition analysis determines that major repair is required or the defects are so serious and so extensive that the buildings must be removed.

Obsolescence. The condition or process of falling into disuse. Structures have become ill-suited for the original use.

Deterioration. With respect to buildings, defects including, but not limited to, major defects in the secondary building components such as doors, windows, porches, gutters and downspouts, and

fascia. With respect to surface improvements, that the condition of roadways, alleys, curbs, gutters, sidewalks, off-street parking, and surface storage areas evidence deterioration including but not limited to, surface cracking, crumbling, potholes, depressions, loose paving material, and weeds protruding through paved surfaces.

Presence of Structures Below Minimum Code Standards. All structures that do not meet the standards of zoning, subdivision, building, fire, and other governmental codes applicable to property, but not including housing and property maintenance codes.

Illegal Use of Individual Structures. The use of structures in violation of the applicable Federal, State, or local laws, exclusive of those applicable to the presence of structures below minimum code standards.

Excessive Vacancies. The presence of buildings that are unoccupied or under-utilized and that represent an adverse influence on the area because of the frequency, extent, or duration of the vacancies.

Lack of Ventilation, Light or Sanitary Facilities. The absence of adequate ventilation for light or air circulation in spaces or rooms without windows, or that require the removal of dust, odor, gas, smoke, or other noxious airborne materials. Inadequate natural light and ventilation means the absence of skylights or windows for interior spaces or rooms and improper window sizes and amounts by room area to window area ratios. Inadequate sanitary facilities refers to the absence or inadequacy of garbage storage and enclosure, bathroom facilities, hot water and kitchens, and structural inadequacies preventing ingress and egress to and from all rooms and units within a building.

Inadequate Utilities. Underground and overhead utilities such as storm sewers and storm drainage, sanitary sewers, water lines, and gas, telephone, and electrical services that are shown to be inadequate. Inadequate utilities are those that are: (i) of insufficient capacity to serve the uses in the redevelopment project area, (ii) deteriorated, antiquated, obsolete, or in disrepair, or (iii) lacking within the redevelopment project area.

Excessive Land Coverage and Overcrowding of Structures and Community Facilities. The over-intensive use of property and the crowding of buildings and accessory facilities onto a site. Examples of problem conditions warranting the designation of an area as one exhibiting excessive land coverage are: (i) the presence of buildings either improperly situated on parcels or located on parcels of inadequate size and shape in relation to present-day standards of development for health and safety and (ii) the presence of multiple buildings on a single parcel. For there to be a finding of excessive land coverage, these parcels must exhibit one or more of the following conditions: insufficient provision for light and air within or around buildings, increased threat of spread of fire due to the close proximity of buildings, lack of adequate or proper access to a public right-of-way, lack of reasonably required off-street parking, or inadequate provision for loading and service.

Deleterious Land Use or Layout. The existence of incompatible land use relationships, buildings occupied by inappropriate mixed uses, or uses considered to be noxious, offensive, or unsuitable for the surrounding area.

Environmental Contamination. The proposed redevelopment project area has incurred Illinois Environmental Protection Agency or United States Environmental Protection Agency remediation costs for, or a study conducted by an independent consultant recognized as having expertise in environmental remediation has determined a need for, the clean-up of hazardous waste, hazardous substances, or underground storage tanks required by State or Federal law, provided that the remediation costs constitute a material impediment to the development or redevelopment of the redevelopment project area.

Lack of Community Planning. The proposed redevelopment project area was developed prior to or without the benefit or guidance of a community plan. This means that the development occurred prior to the adoption by the municipality of a comprehensive or other community plan or that the plan was not followed at the time of the area's development. This factor must be documented by evidence of adverse or incompatible land use relationships, inadequate street layout, improper subdivision, parcels of inadequate shape and size to meet contemporary development standards, or other evidence demonstrating an absence of effective community planning.

Lack of Growth in Equalized Assessed Value. The total equalized assessed value of the proposed redevelopment project area has declined for three of the last five calendar years prior to the year in which the redevelopment project area is designated or is increasing at an annual rate that is less than the balance of the municipality for three of the last five calendar years for which information is available or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers published by the United States Department of Labor or successor agency for three of the last five calendar years prior to the year in which the redevelopment project area is designated.

Factors for Vacant Land

Under the provisions of the "blighted area" section of the Act, for vacant land to constitute a "blighted area," a combination of two or more of the following six factors must be identified as being present to a meaningful extent and reasonably distributed which act in combination to impact the sound growth in tax base for the proposed district.

Obsolete Platting of Vacant Land. Parcels of limited or narrow size or configurations of parcels of irregular size or shape that would be difficult to develop on a planned basis and in a manner compatible with contemporary standards and requirements, or platting that failed to create rights-of-ways for streets or alleys or that created inadequate right-of-way widths for streets, alleys, or other public rights-of-way or that omitted easements for public utilities.

Diversity of Ownership. Diversity of ownership is when adjacent properties are owned by multiple parties. When diversity of ownership of parcels of vacant land is sufficient in number to retard or impede the ability to assemble the land for development, this factor applies.

Tax and Special Assessment Delinquencies. Tax and special assessment delinquencies exist or the property has been the subject of tax sales under the Property Tax Code within the last five years.

Deterioration of Structures or Site Improvements in Neighboring Areas Adjacent to the Vacant Land. Evidence of structural deterioration and area disinvestment in blocks adjacent to the vacant land may substantiate why new development had not previously occurred on the vacant parcels.

Environmental Contamination. The area has incurred Illinois Environmental Protection Agency or United States Environmental Protection Agency remediation costs for, or a study conducted by an independent consultant recognized as having expertise in environmental remediation has determined a need for, the clean-up of hazardous waste, hazardous substances, or underground storage tanks required by State or Federal law, provided that the remediation costs constitute a material impediment to the development or redevelopment of the redevelopment project area.

Lack of Growth in Equalized Assessed Value. The total equalized assessed value of the proposed redevelopment project area has declined for three of the last five calendar years prior to the year in which the redevelopment project area is designated or is increasing at an annual rate that is less than the balance of the municipality for three of the last five calendar years for which information is available or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers published by the United States Department of Labor or successor agency for three of the last five calendar years prior to the year in which the redevelopment project area is designated.

Additionally, under the "blighted area" section of the Act, eligibility may be established for those vacant areas that would have qualified as a blighted area immediately prior to becoming vacant. Under this test for establishing eligibility, building records may be reviewed to determine that a combination of five or more of the 13 "blighted area" eligibility factors for improved property listed above were present immediately prior to demolition of the area's structures.

The vacant "blighted area" section includes six other tests for establishing eligibility but none of these are relevant to the conditions within the 26th & King Drive RPA.

Methodology Overview and Determination of Eligibility

Analysis of eligibility factors was done through research involving an extensive field survey of all property within the 26th & King Drive RPA, as well as a review of building and property records. Building and property records include building code violation citations, building permit data, assessor information, and information on the age and condition of sewer and water lines within the study area. Our survey of the area established that there are four primary structures and 13 tax parcels within the 26th & King Drive RPA. Ancillary structures are excluded from this total but were considered in our analysis of eligibility factors at the tax parcel level. A cement block shed located off of the alley along the western edge of the RPA was the only ancillary structure identified in our survey.

The 26th & King Drive RPA was examined for qualification factors consistent with either the “blighted area” or “conservation area” requirements of the Act. Based upon these criteria, the property within the 26th & King Drive RPA qualifies for designation as a “conservation area” as defined by the Act.

To arrive at this designation, *S. B. Friedman & Company* calculated the number of eligibility factors present, and analyzed the distribution of the eligibility factors on a building-by-building and/or parcel-by-parcel basis and analyzed the distribution of the eligibility factors on a block-by-block basis. When appropriate, we calculated the presence of eligibility factors on infrastructure and ancillary properties associated with the structures. The eligibility factors were correlated to buildings using structure-base maps, property files created from field observations, record searches, and field surveys. This information was then graphically plotted on a parcel map of the 26th & King Drive RPA to establish the distribution of eligibility factors, and to determine which factors were present to a major extent.

Major factors are used to establish eligibility. These factors are present to a meaningful extent and reasonably distributed throughout the RPA. Minor factors are supporting factors present to a meaningful extent on some of the parcels or on a scattered basis. Their presence suggests that the area is at risk of experiencing more extensive deterioration and disinvestment.

To reasonably arrive at this designation, *S. B. Friedman & Company* documented the existence of qualifying eligibility factors and confirmed that a sufficient number of factors were present within the 26th & King Drive RPA and reasonably distributed.

Although it may be concluded under the Act that the mere presence of the minimum number of the stated factors may be sufficient to make a finding of the RPA as a conservation area, this evaluation was made on the basis that the conservation area factors must be present to an extent that indicates that public intervention is appropriate or necessary. In addition, the conservation area factors must be reasonably distributed throughout the RPA so that non-qualifying areas are not arbitrarily included in the RPA simply because of proximity to areas that qualify as a conservation area.

Conservation Area Findings

As required by the Act, within a conservation area, at least fifty percent (50%) of the buildings must be 35 years of age or older, and at least three of the 13 eligibility factors must be found present to a major extent within the 26th & King Drive RPA.

Establishing that at least fifty percent (50%) of the 26th & King Drive RPA buildings are 35 years of age or older is a condition precedent to establishing the area as a conservation area under the Act. Taking into account information obtained from the architectural characteristics of the buildings, building configurations, the reported use of buildings from property records from the Cook County Assessor’s office, and the historic development patterns within the community, we have established that of the four buildings located within the 26th & King Drive RPA, three (seventy five percent (75%)) are 35 years of age or older.

In addition to establishing that 26th & King Drive RPA meets the age requirement, our research has revealed that the following five factors are present to a major extent:

1. Deterioration;
2. Inadequate Utilities;
3. Excessive Vacancies;
4. Obsolescence; and
5. Deleterious Land Use/Lay Out.

Based on the presence of these factors, the RPA meets the requirements of a "conservation area" under the Act. The RPA is not yet blighted, but because of a combination of the factors present the RPA may become a blighted area.

Each of the 13 parcels within the RPA exhibited deterioration of buildings, infrastructure, and/or cracks in building exteriors, missing or damaged curbs, and cracked paving surfaces. In addition, the area suffers from excessive vacancies. The extent and nature of these vacancies are likely to have negative effects on nearby properties and the future development of the RPA. The condition of underground utilities within the RPA is generally inadequate in that the RPA is serviced by water and sewer facilities that are antiquated, of insufficient capacity, and/or are scheduled for or are overdue for repair/replacement. In addition, three of the buildings covering half of the site are obsolete and the lack of a street network through portions of the site make redevelopment difficult and unlikely without public assistance.

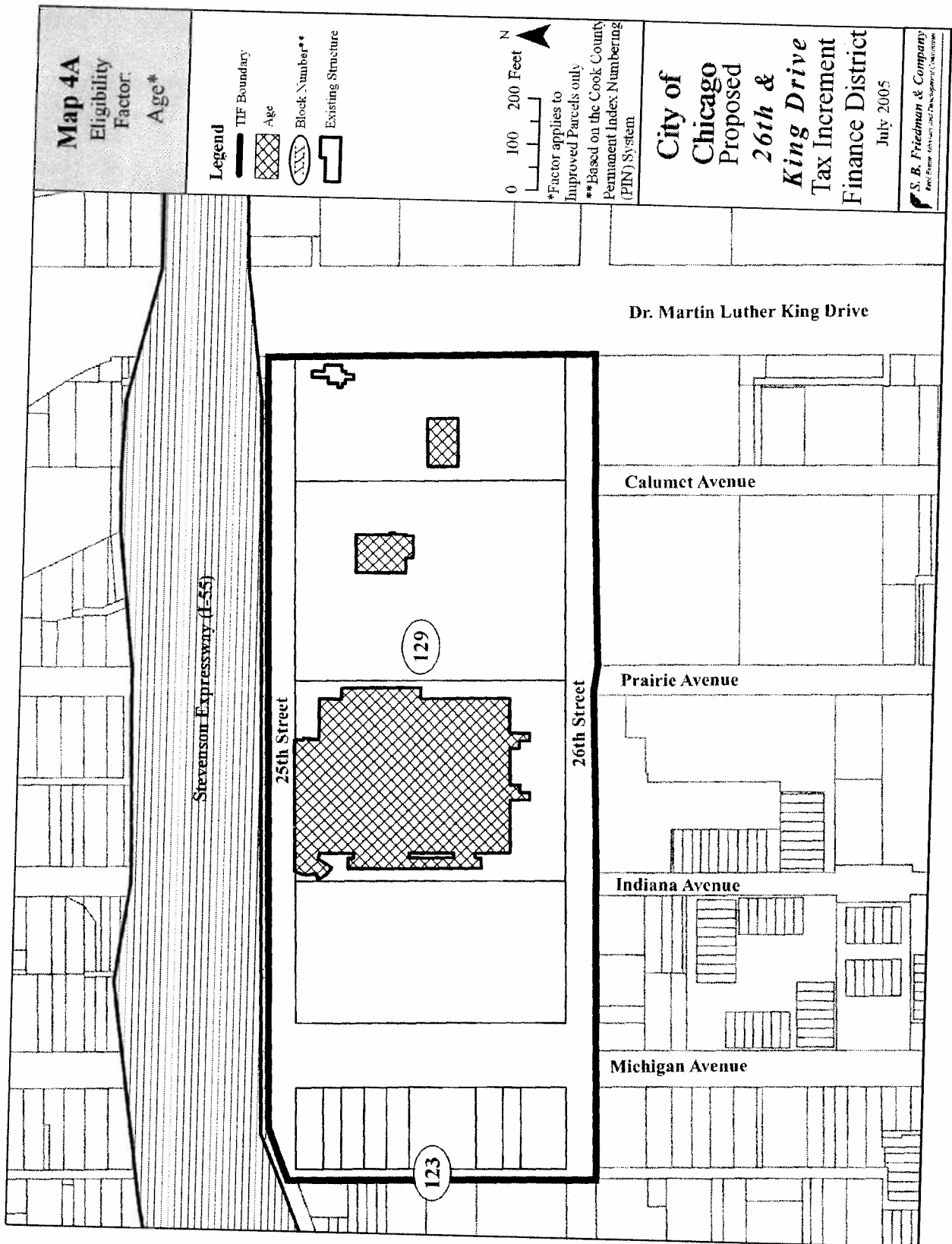
Maps 4A through 4F illustrate the presence and distribution of these eligibility factors on a block-by-block basis within the RPA. The following sections summarize our field research as it pertains to each of the identified eligibility factors found within the 26th & King Drive RPA.

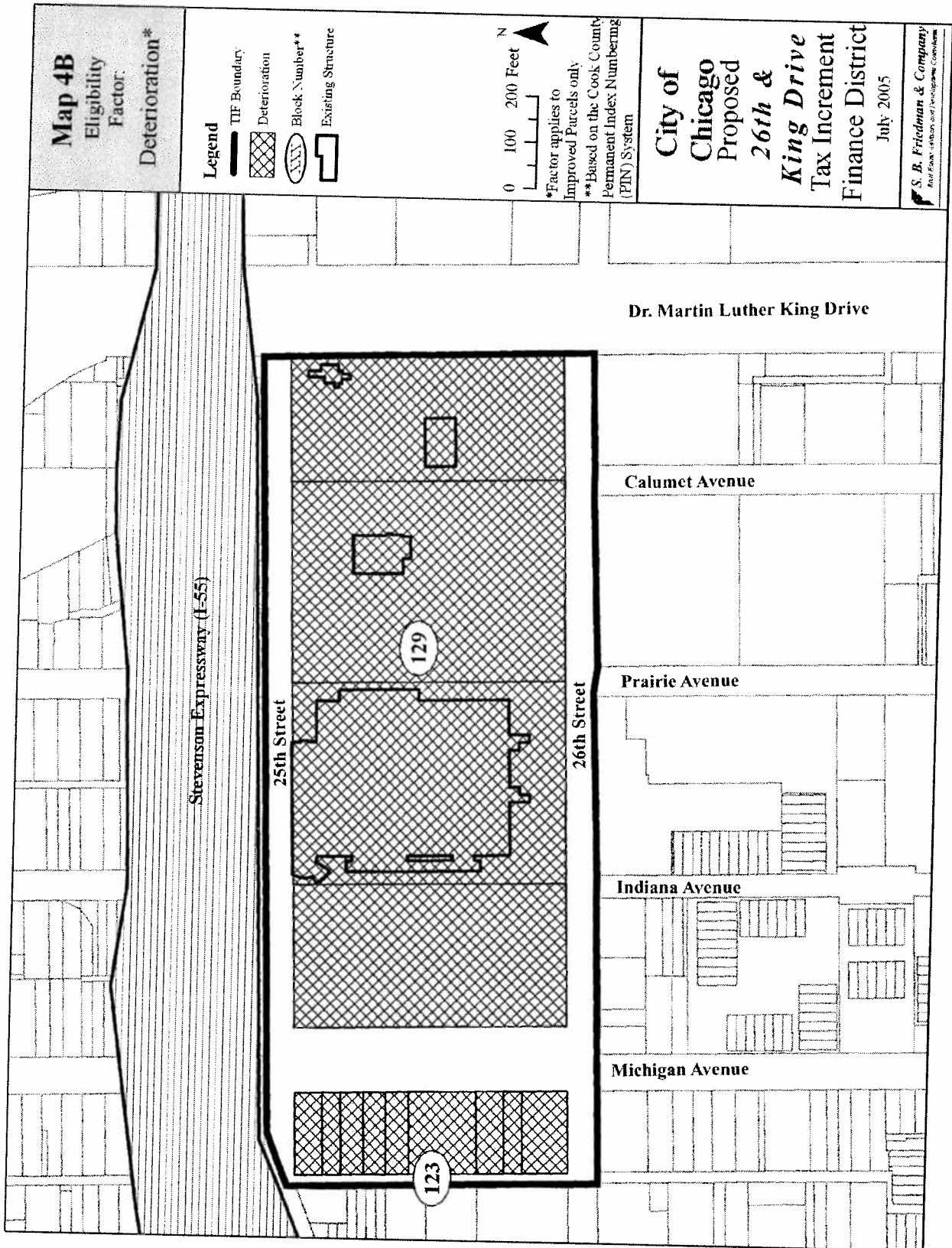
1. Deterioration

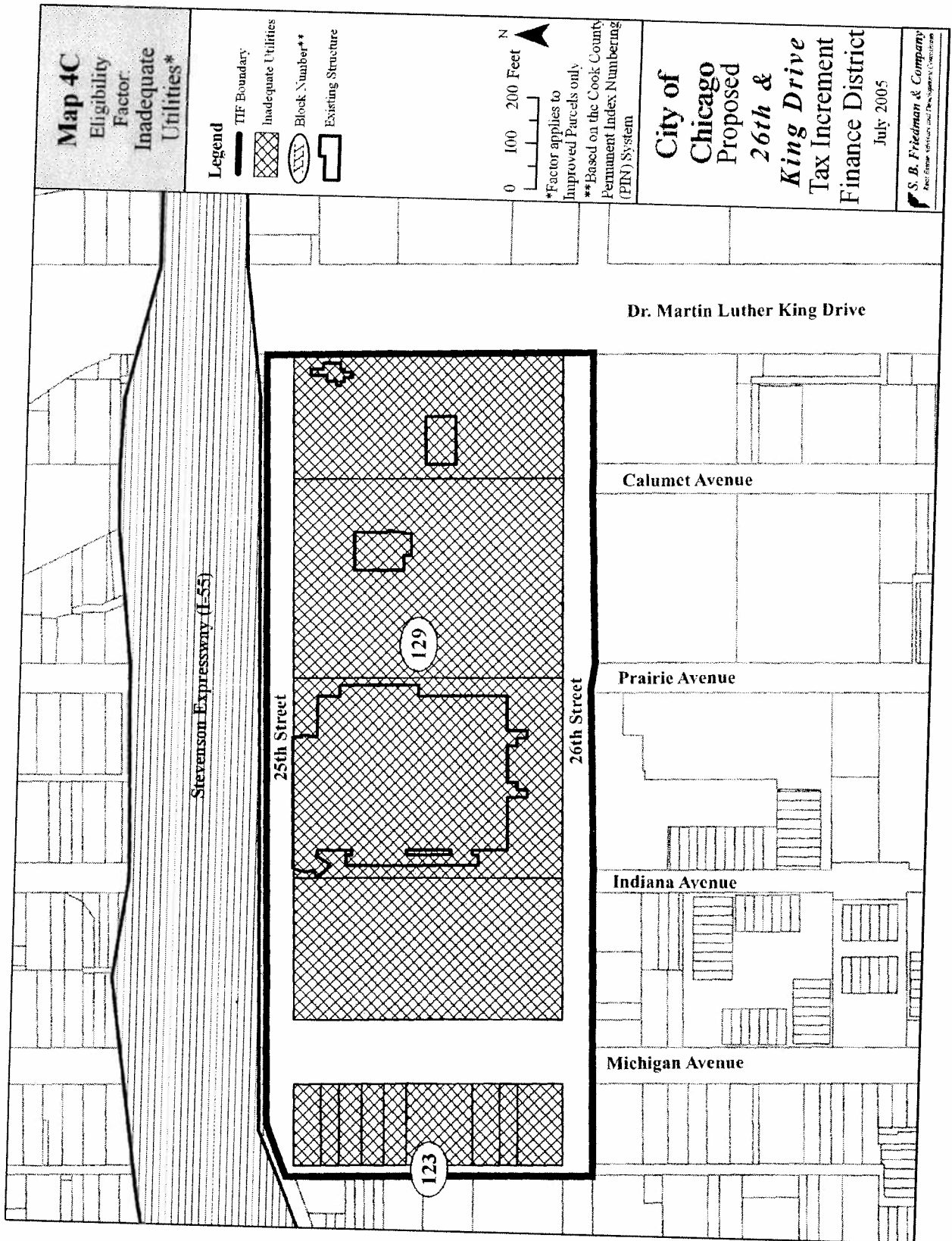
Of the four structures within the 26th & King Drive RPA, three exhibited deterioration. Catalogued deterioration included cracked exterior wall surfaces, exposed rebar, evidence of water damage/staining, and corrosion of gutters and down spouts. These are conditions not readily correctable through routine maintenance. Structural deterioration is indicative of an area that is at risk of becoming blighted without direct intervention.

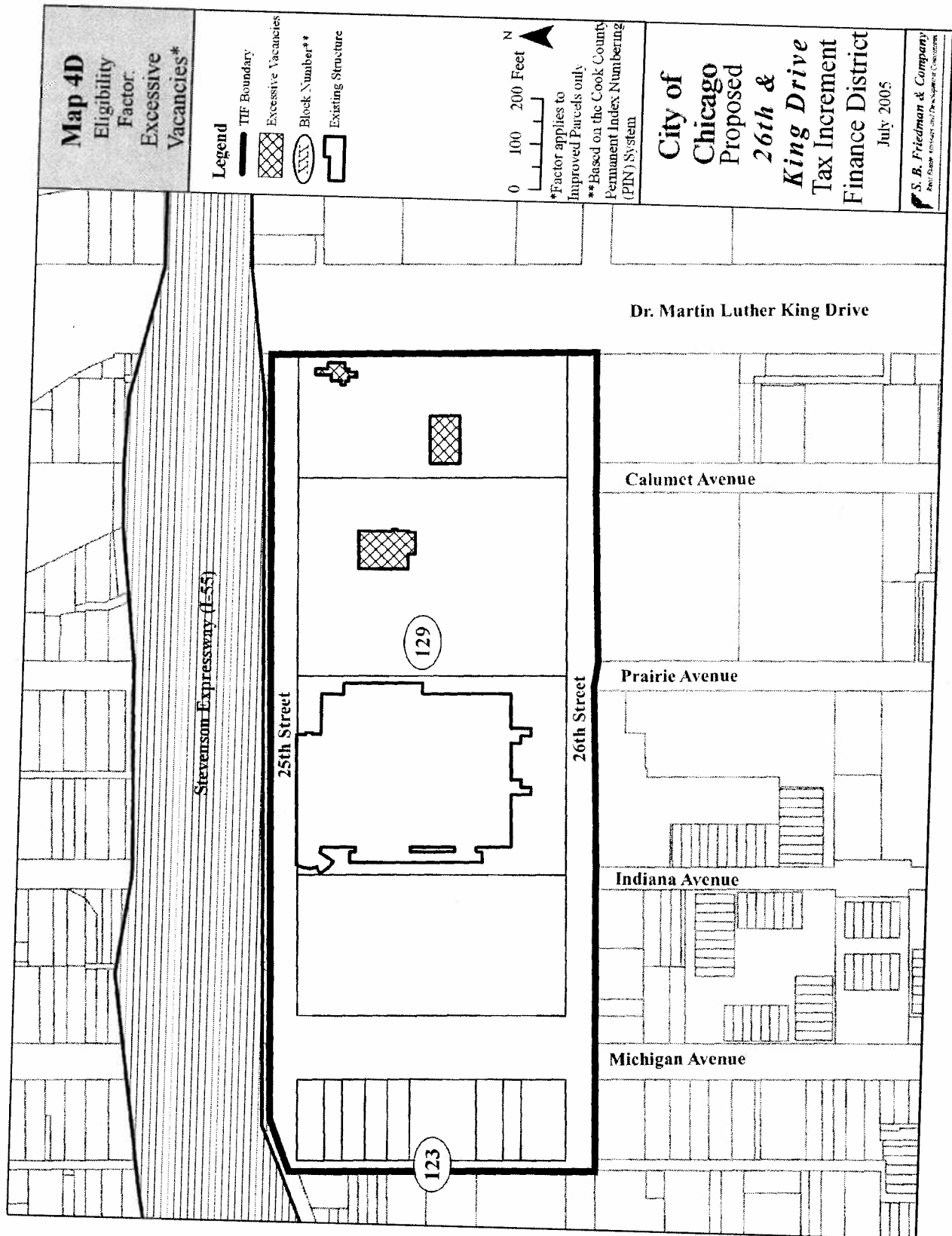
In addition, deterioration was documented for much of the surface infrastructure within the 26th & King Drive RPA including sidewalks, parking lots and storage areas. Of the 13 parcels within the 26th & King Drive RPA, all exhibited deterioration. Surface deterioration included cracking, surface depressions, loose paving buckling/depressions, and curb crumbling.

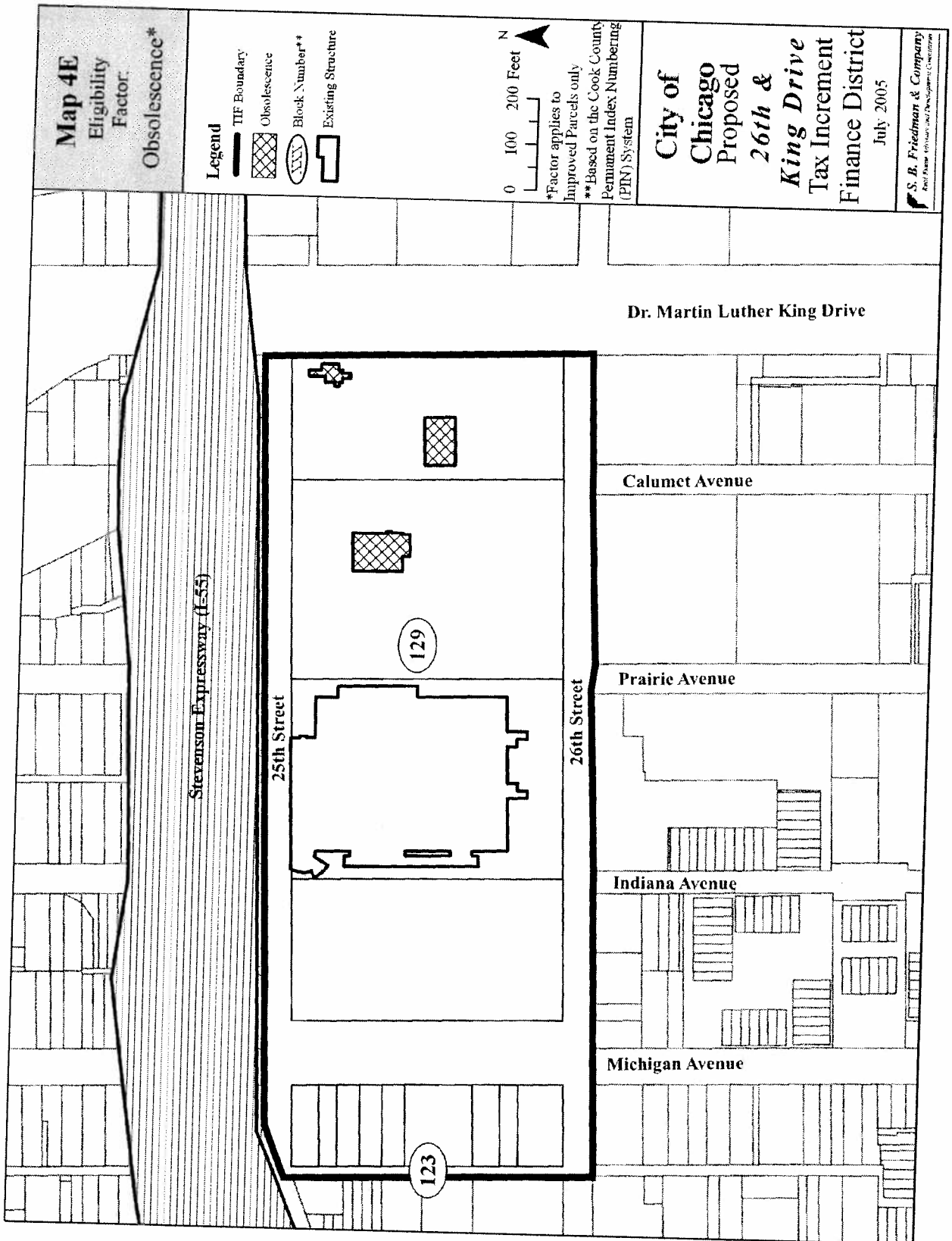
Overall, deterioration was considered to be present to a meaningful extent on both of the blocks in the 26th & King Drive RPA.

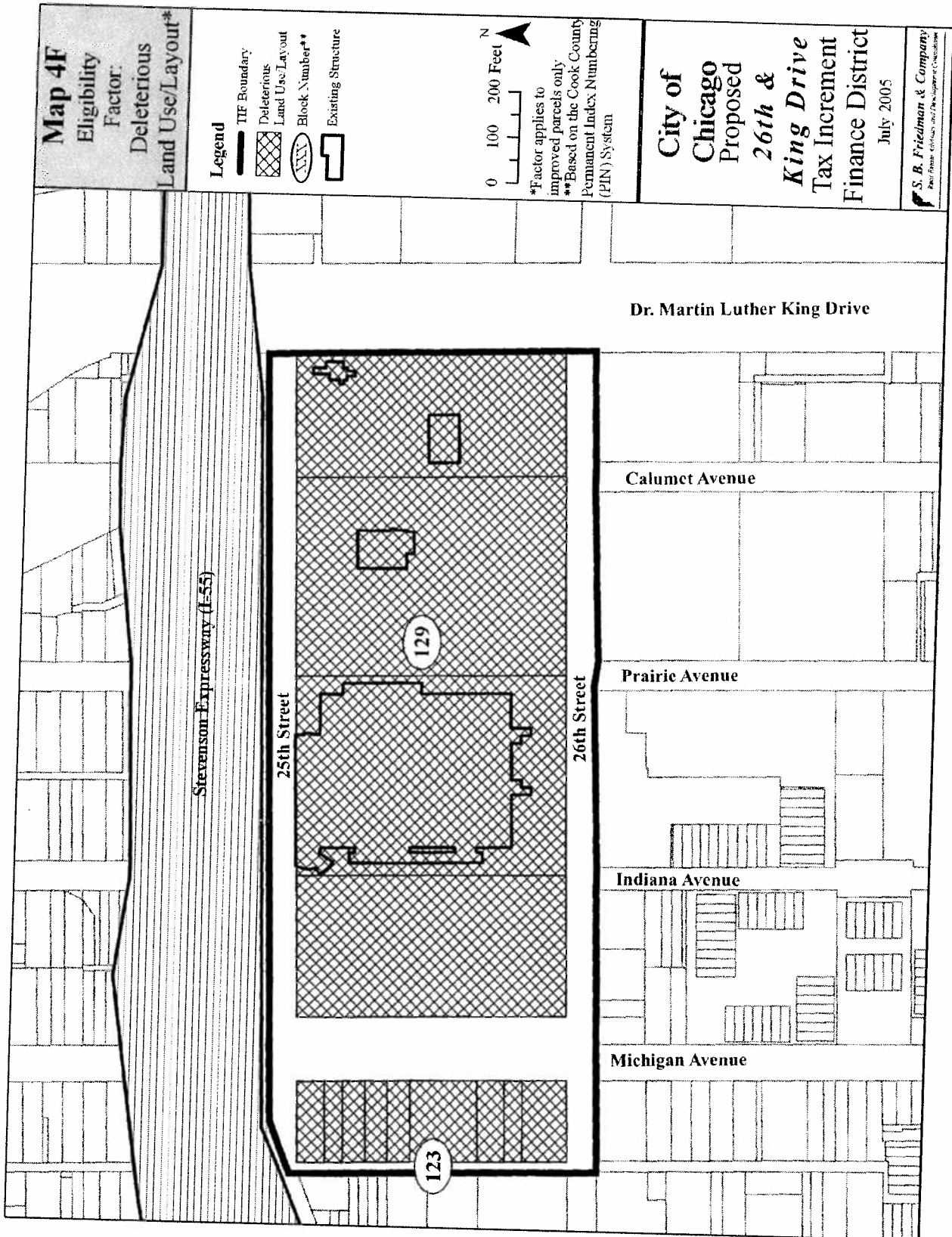












2. Inadequate Utilities

A review of the City's water and sewer atlases found that inadequate underground utilities affect all 13 tax parcels in the 26th & King Drive RPA. All of the parcels within the 26th & King Drive RPA are served by antiquated sewer and/or water lines. These lines have reached or will have reached their 100-year service lives sometime during the 23-year life of the TIF.² In addition, some water line replacements are required because they are of insufficient size to comply with modern capacity requirements.

Due to the age and condition of the sewer and water lines, inadequate utilities was found to be present to a meaningful extent on both of the blocks within the 26th & King Drive RPA.

3. Excessive Vacancies

Of the four buildings in the 26th & King Drive RPA, three exhibited excessive vacancies. The three buildings are located in close proximity to one another adjacent to the heavily traveled Martin Luther King Drive and along 26th Street. If they are not addressed, the extent and nature of the vacancies within the 26th & King Drive RPA are sufficient to have negative effects on nearby properties and on the future development of the RPA.

4. Obsolescence

Functional and/or economic obsolescence affects three of the four buildings within the 26th & King Drive RPA. This is evidenced by the fact that these structures have become ill-suited for their original use and have fallen into disuse, and are currently vacant.

The MRI building was vacated upon decommissioning the technologically obsolete 1.5 Tesla MRI imaging unit, housed within, in 2002. The Research Building is a 93-year-old building that has been closed for four years due to significant interior deterioration which has made it uninhabitable. The Interns/Residents Building contains 40 one- and two-bedroom apartments which were once used for temporary interns/residents housing. This building has now fallen into disuse due to the poor condition of the apartments, which have not been restored/renovated since the building was built in 1964, and because more of the hospital's resident staff now originate from the Chicago area and choose to live elsewhere. The units currently occupied by residents temporarily living in the facility will be leaving the building by July 31, 2005. At this time the building will be entirely vacant.

Based on these conditions, obsolescence was found to be present to a meaningful extent on one of the two blocks within the 26th & King Drive RPA.

² The City of Chicago Department of Water Management defines the projected service life as 100 years.

5. Deleterious Land Use/Layout

Deleterious Layout was found to be present on all of the thirteen parcels and both blocks comprising the 26th and King Drive RPA. Two of the parcels are located east of the Main Hospital site and contain the three vacant hospital buildings. The large size of these parcels and lack of road network make it difficult and unlikely to be redeveloped without public assistance. The remaining 11 parcels include the Mercy Hospital site and its ancillary parking. Significant changes to the configuration of the parking are required to support hospital operations as well as improve access to the parking areas and the buildings.

4. Redevelopment Plan & Project

Redevelopment Needs of the 26th & King Drive RPA

The existing land use pattern and physical conditions in the 26th & King Drive RPA suggest three redevelopment needs for the area:

1. Rehabilitation and modernization of the main hospital building;
2. Site preparation and demolition; and
3. New streets and other public infrastructure improvements.

The Redevelopment Plan and Project identifies the tools that the City will use to guide redevelopment in the 26th & King Drive RPA, to create, promote and sustain a vibrant mixed use community.

The goals, objectives, and strategies discussed below have been developed to address these needs and to facilitate the sustainable redevelopment of the 26th & King Drive RPA. The proposed public improvements outlined in the Redevelopment Plan and Project will help to create an environment conducive to private investment and redevelopment within the 26th & King Drive RPA. To support specific projects and encourage future investment in the RPA, public resources, including tax increment financing, may be used to: facilitate property assembly; demolition; site preparation; and/or rehabilitation and improve or repair RPA public facilities and/or infrastructure. In addition, tax increment financing may be used to subsidize developer interest costs related to redevelopment projects.

Goals, Objectives, and Strategies

Goals, objectives, and strategies are designed to address the need for redevelopment within the overall framework of the Redevelopment Plan and Project for the use of anticipated tax increment funds generated within the 26th & King Drive RPA.

Goal. The overall goal of the Redevelopment Plan is to reduce or eliminate the conditions that qualify the 26th & King Drive RPA as a conservation area and to provide the mechanisms necessary to support public and private development and improvements in the RPA. This goal is to be achieved through an integrated and comprehensive strategy that leverages public resources to stimulate additional private investment.

Objectives. Eight broad objectives support the overall goal of area-wide revitalization of the 26th & King Drive RPA. These include:

1. Provide resources for the rehabilitation, modernization, and/or expansion of the Mercy Hospital;

2. Facilitate the redevelopment of the eastern half of the existing Mercy Hospital Campus by providing resources for site assembly and preparation, including demolition and environmental cleanup, where necessary;
3. Provide public infrastructure where needed, including new streets, underground sewer and water systems, sidewalks, alleys, and other public improvements in order to create a physical environment that is conducive to private development;
4. Support residential development that accommodates a diverse economic and demographic mix of residents, including the development of new affordable housing;
5. Provide adequate on- and off-street parking for visitors and residents within the RPA;
6. Provide opportunities for women-owned, minority-owned, and locally-owned businesses to share in permanent and construction job opportunities associated with the redevelopment of the 26th and King Drive RPA;
7. Support job training and welfare to work programs and increase employment opportunities for area residents; and
8. Provide daycare assistance as necessary to support the employees of the Mercy Hospital.

Strategies. These objectives will be implemented through four specific and integrated strategies. These include:

1. **Facilitate Property Assembly, Demolition, and Site Preparation.** Financial assistance may be provided to private developers seeking to acquire land and assemble and prepare sites in order to undertake projects in support of this Redevelopment Plan and Project.

To meet the goals of this Redevelopment Plan and Project, the City may acquire and assemble property throughout the RPA. Land assemblage by the City may be by purchase, exchange, donation, lease, eminent domain, through the Tax Reactivation Program or other programs and may be for the purpose of (a) sale, lease or conveyance to private developers, or (b) sale, lease, conveyance or dedication for the construction of public improvements or facilities. Site preparation may include such preparatory work as demolition of existing improvements and environmental remediation, where appropriate. Furthermore, the City may require written redevelopment agreements with developers before acquiring any properties. As appropriate, the City may devote acquired property to temporary uses until such property is scheduled for disposition and development.

In connection with the City exercising its powers to acquire real property, including the exercise of the power of eminent domain, under the Act in implementing this Redevelopment Plan and Project, the City will follow its customary procedures of having each such acquisition recommended by the Community Development Commission (or any successor commission) and authorized by the City Council of the City. Acquisition of such

real property as may be authorized by the City Council does not constitute a change in the nature of this Plan. Relocation assistance may be provided to facilitate redevelopment of portions of the RPA, and to meet other City objectives. Businesses or households legally occupying properties to be acquired by the City may be provided with relocation advisory and/or financial assistance as determined by the City.

2. **Implement Public Improvements.** A series of public improvements throughout the 26th & King Drive RPA may be designed and implemented to help define and create an identity for the area, prepare sites for anticipated private investment, and create a more conducive environment for private development. Public improvements that are implemented with TIF assistance are intended to complement and not replace existing funding sources for public improvements in the RPA.

These improvements may include improvement or development of streetscaping, street and sidewalk lighting, alleyways, underground water and sewer infrastructure, parks or open space, and other public improvements consistent with the Redevelopment Plan and Project. These public improvements may be completed pursuant to redevelopment agreements with private entities or intergovernmental agreements with other public entities, and may include the construction, rehabilitation, renovation, or restoration of public improvements on one or more parcels.

3. **Encourage Private Sector Activities and Support New Development.** Through the creation and support of public-private partnerships, or through written agreements, the City may provide financial and other assistance to encourage the private sector, including local property owners, to undertake rehabilitation and redevelopment projects and other improvements that are consistent with the goals of this Redevelopment Plan and Project.

The City may enter into redevelopment agreements or intergovernmental agreements with private entities or public entities to construct, rehabilitate, renovate, or restore private or public improvements on one or several parcels (collectively referred to as "Redevelopment Projects").

The City requires that developers who receive TIF assistance for market-rate housing set aside twenty percent (20%) of the units to meet affordability criteria established by the City's Department of Housing or any successor agency. Generally, this means that affordable for-sale housing units should be priced at a level that is affordable to persons earning no more than one hundred percent (100%) of the area median income, and affordable rental units should be affordable to persons earning no more than sixty percent (60%) of the area median income. TIF funds can also be used to pay for up to fifty percent (50%) of the cost of construction or up to seventy five percent (75%) of interest costs for new housing units to be occupied by low-income and very low-income households as defined in Section 3 of the Illinois Affordable Housing Act.

4. **Develop Vacant and Underutilized Sites.** The redevelopment of vacant and underutilized properties within the 26th & King Drive RPA is expected to stimulate private

investment and increase the overall taxable value of properties within the RPA. Development of vacant and/or underutilized sites is anticipated to have a positive impact on other properties beyond the individual project sites.

These activities are representative of the types of projects contemplated to be undertaken during the life of the 26th & King Drive RPA. Market forces are critical to the completion of these projects. Phasing of projects will depend on the interests and resources of both public and private sector parties. Not all projects will necessarily be undertaken. Further, additional projects may be identified throughout the life of the 26th & King Drive RPA. To the extent that these projects meet the goals, objectives, and strategies of this Redevelopment Plan and Project and the requirements of the Act and budget outlined in the next section, these projects may be considered for tax increment funding.

Proposed Future Land Use

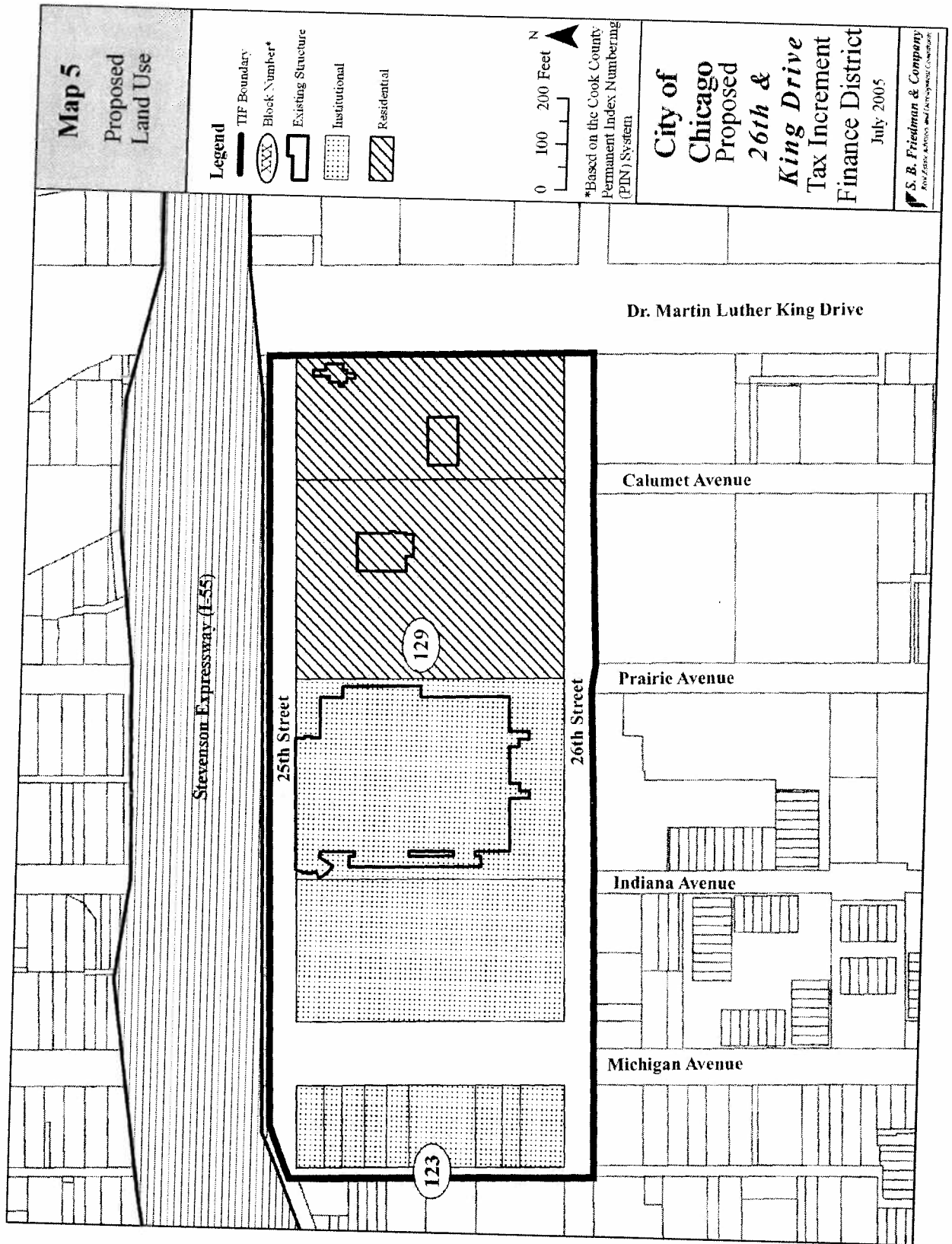
The proposed future land use of the 26th & King Drive RPA reflects the objectives of the Redevelopment Plan and Project, which are to support retention and rehabilitation of Mercy Hospital and to support the redevelopment of the area east of the hospital into a residential neighborhood.

These proposed future land uses are detailed on Map 5. As noted on Map 5, the uses are to be predominant uses for the area indicated, and are not exclusive of any other uses.

Assessment of Housing Impact

As set forth in the Act, if the redevelopment plan for the redevelopment project area would result in the displacement of residents from 10 or more inhabited residential units, or if the redevelopment project area contains 75 or more inhabited residential units and a municipality is unable to certify that no displacement will occur, the municipality must prepare a housing impact study and incorporate the study in the redevelopment plan.

As of the July 31, 2005, the RPA will contain no occupied residential units. Therefore a housing impact study is not required and has not been prepared.



5. Financial Plan

Eligible Costs

The various redevelopment expenditures that are eligible for payment or reimbursement under the Act are reviewed below. Following this review is a list of estimated redevelopment project costs that are deemed to be necessary to implement this Redevelopment Plan and Project (the "Redevelopment Project Costs.")

Redevelopment project costs include the sum total of all reasonable or necessary costs incurred, estimated to be incurred, or incidental to this Plan pursuant to the Act. Such costs may include, without limitation, the following:

1. Costs of studies, surveys, development of plans and specifications, implementation and administration of the Redevelopment Plan and Project including but not limited to, staff and professional service costs for architectural, engineering, legal, financial, planning or other services (excluding lobbying expenses), provided that no charges for professional services are based on a percentage of the tax increment collected;
2. The costs of marketing sites within the RPA to prospective businesses, developers and investors;
3. Property assembly costs, including but not limited to, acquisition of land and other property, real or personal, or rights or interests therein, demolition of buildings, site preparation, site improvements that serve as an engineered barrier addressing ground level or below ground environmental contamination, including, but not limited to parking lots and other concrete or asphalt barriers, and the clearing and grading of land;
4. Costs of rehabilitation, reconstruction or repair or remodeling of existing public or private buildings, fixtures, and leasehold improvements; and the costs of replacing an existing public building if pursuant to the implementation of a redevelopment project the existing public building is to be demolished to use the site for private investment or devoted to a different use requiring private investment;
5. Costs of the construction of public works or improvements subject to the limitations in Section 11-74.4-3(q)(4) of the Act;
6. Costs of job training and retraining projects including the costs of "welfare to work" programs implemented by businesses located within the RPA and such proposals feature a community-based training program which ensures maximum reasonable opportunities for residents of the Near South Community Area with particular attention to the needs of those residents who have previously experienced inadequate employment opportunities and

- development of job-related skills including residents of public and other subsidized housing and people with disabilities;
7. Financing costs, including but not limited to, all necessary and incidental expenses related to the issuance of obligations and which may include payment of interest on any obligations issued thereunder including interest accruing during the estimated period of construction of any redevelopment project for which such obligations are issued and for a period not exceeding 36 months following completion and including reasonable reserves related thereto;
 8. To the extent the City by written agreement accepts and approves the same, all or a portion of a taxing district's capital costs resulting from the redevelopment project necessarily incurred or to be incurred within a taxing district in furtherance of the objectives of the Redevelopment Plan and Project;
 9. Relocation costs to the extent that the City determines that relocation costs shall be paid or is required to make payment of relocation costs by federal or state law, or by Section 74.4-3(n)(7) of the Act;
 10. Payment in lieu of taxes as defined in the Act;
 11. Costs of job training, retraining, advanced vocational education or career education, including but not limited to, courses in occupational, semi-technical or technical fields leading directly to employment, incurred by one or more taxing districts, provided that such costs; (i) are related to the establishment and maintenance of additional job training, advanced vocational education or career education programs for persons employed or to be employed by employers located in the RPA; and (ii) when incurred by a taxing district or taxing districts other than the City, are set forth in a written agreement by or among the City and the taxing district or taxing districts, which agreement describes the program to be undertaken including but not limited to, the number of employees to be trained, a description of the training and services to be provided, the number and type of positions available or to be available, itemized costs of the program and sources of funds to pay for the same, and the term of the agreement. Such costs include, specifically, the payment by community college districts of costs pursuant to Sections 3-37, 3-38, 3-40, and 3-40.1 of the Public Community College Act, 110 ILCS 805/3-37, 805/3-38, 805/3-40 and 805/3-40.1, and by school districts of costs pursuant to Sections 10-22.20a and 10-23.3a of the School Code, 105 ILCS 5/10-22.20a and 5/10-23.3a;
 12. Interest costs incurred by a redeveloper related to the construction, renovation or rehabilitation of a redevelopment project provided that:
 - a. Such costs are to be paid directly from the special tax allocation fund established pursuant to the Act;

- b. Such payments in any one year may not exceed thirty percent (30%) of the annual interest costs incurred by the redeveloper with regard to the development project during that year;
 - c. If there are not sufficient funds available in the special tax allocation fund to make the payment pursuant to this provision, then the amounts so due shall accrue and be payable when sufficient funds are available in the special tax allocation fund;
 - d. The total of such interest payments paid pursuant to the Act may not exceed thirty percent (30%) of the total of (i) cost paid or incurred by the redeveloper for the redevelopment project; (ii) redevelopment project costs excluding any property assembly costs and any relocation costs incurred by the City pursuant to the Act;
 - e. For the financing of rehabilitated or new housing for low-income households and very low-income households, as defined in Section 3 of the Illinois Affordable Housing Act, the percentage of seventy-five percent (75%) shall be substituted for thirty percent (30%) in subparagraphs 12b and 12d above;
13. Unless explicitly provided in the Act, the cost of construction of new privately-owned buildings shall not be an eligible redevelopment project cost;
14. An elementary, secondary, or unit school district's increased costs attributable to assisted housing units will be reimbursed as provided in the Act;
15. Instead of the eligible costs provided for in 12b, 12d, and 12e above, the City may pay up to 50 percent of the cost of construction, renovation and/or rehabilitation of all low- and very low-income housing units (for ownership or rental) as defined in Section 3 of the Illinois Affordable Housing Act. If the units are part of a residential redevelopment project that includes units not affordable to low- and very low-income households, only the low- and very low-income units shall be eligible for benefits under the Act; and
16. The costs of daycare services for children of employees from low-income families working for businesses located within the RPA and all or a portion of the cost of operation of day care centers established by RPA businesses to serve employees from low-income families working in businesses located in the RPA. For the purposes of this paragraph, "low-income families" means families whose annual income does not exceed eighty percent (80%) of the City, county or regional median income as determined from time to time by the United States Department of Housing and Urban Development.

If a special service area has been established pursuant to the Special Service Area Tax Act, 35 ILCS 235/0.01 *et seq.*, then any tax increment revenues derived from the tax imposed pursuant to the Special Service Area Tax Act may be used within the redevelopment project area for the purposes permitted by the Special Service Area Tax Act as well as the purposes permitted by the Act.

Estimated Redevelopment Project Costs

The estimated eligible costs that are deemed to be necessary to implement this Redevelopment Plan and Project are shown in Table 2. The total eligible cost provides an upper limit on expenditures that are to be funded using tax increment revenues, exclusive of capitalized interest, issuance costs, interest, and other financing costs. Within this limit, adjustments may be made in line items without amendment to this Plan, to the extent permitted by the Act. Additional funding in the form of State, Federal, County, or local grants, private developer contributions and other outside sources may be pursued by the City as a means of financing improvements and facilities which are of benefit to the general community.

TABLE 2: Estimated Redevelopment Project Costs

Eligible Expenses	Estimated Project Costs
Professional Services (including analysis, administration, studies, surveys, legal, marketing, etc.)	\$1,000,000
Property Assembly (including acquisition, site preparation, demolition, and environmental remediation)	\$6,000,000
Rehabilitation of Existing Buildings, Fixtures and Leasehold Improvements	\$36,400,000
Eligible Construction Costs (Affordable Housing Construction and Rehabilitation Costs)	\$500,000
Relocation Costs	\$0
Public Works or Improvements (including streets and utilities, parks and open space, public facilities (schools & other public facilities) (1))	\$4,500,000
Job Training, Retraining, Welfare-to-Work	\$500,000
Interest Subsidy	\$1,000,000
Day Care Services	\$100,000
TOTAL REDEVELOPMENT COSTS (2), (3), (4)	\$50,000,000

(1) This category also may include paying for or reimbursing (i) an elementary, secondary, or unit school district's increased costs attributed to assisted housing units, and (ii) capital costs of taxing districts impacted by the redevelopment of the RPA. As permitted by the Act, to the extent the City by written agreement accepts and approves the same, the City may pay, or reimburse all, or a portion of a taxing district's capital costs resulting from a redevelopment project necessarily incurred or to be incurred within a taxing district in furtherance of the objectives of the Plan.

(2) Total Redevelopment Project Costs exclude any additional financing costs, including any interest expense, capitalized interest, costs of issuance, and costs associated with optional redemptions. These costs are subject to prevailing market conditions and are in addition to Total Redevelopment Project Costs.

(3) The amount of the Total Redevelopment Project Costs that can be incurred in the RPA will be reduced by the amount of redevelopment project costs incurred in contiguous RPAs, or those separated from the RPA only by a public right-of-way, that are permitted under the Act to be paid, and

are paid, from incremental property taxes generated in the RPA, but will not be reduced by the amount of redevelopment project costs incurred in the RPA which are paid from incremental property taxes generated in contiguous RPAs or those separated from the RPA only by a public right-of-way.

(4) All costs are in 2005 dollars and may be increased by five percent (5%) after adjusting for annual inflation reflected in the Consumer Price Index (CPI) for All Urban Consumers for All Items for the Chicago-Gary-Kenosha, IL-IN-WI CMSA, published by the U. S. Department of Labor. In addition to the above stated costs, each issue of obligations issued to finance a phase of the Redevelopment Plan and Project may include an amount of proceeds sufficient to pay customary and reasonable charges associated with the issuance of such obligations, including interest costs.

Adjustments to the estimated line item costs in Table 2 are anticipated, and may be made by the City without amendment to the Redevelopment Plan and Project to the extent permitted by the Act. Each individual project cost will be re-evaluated in light of projected private development and resulting incremental tax revenues as it is considered for public financing under the provisions of the Act. The totals of line items set forth above are not intended to place a limit on the described expenditures. Adjustments may be made in line items within the total, either increasing or decreasing line item costs as a result of changed redevelopment costs and needs.

In the event the Act is amended after the date of the approval of this Redevelopment Plan and Project by the City Council of Chicago to (a) include new eligible redevelopment project costs, or (b) expand the scope or increase the amount of existing eligible redevelopment project costs (such as, for example, by increasing the amount of incurred interest costs that may be paid under 65 ILCS 5/11-74.4-3(q)(11)), this Redevelopment Plan and Project shall be deemed to incorporate such additional, expanded or increased eligible costs as eligible costs under the Redevelopment Plan and Project, to the extent permitted by the Act. In the event of such amendment(s), the City may add any new eligible redevelopment project costs as a line item in Table 2, or otherwise adjust the line items in Table 2 without amendment to this Redevelopment Plan and Project, to the extent permitted by the Act. In no instance, however, shall such additions or adjustments result in any increase in the total redevelopment project costs without a further amendment to this Redevelopment Plan and Project.

Phasing and Scheduling of the Redevelopment

Each private project within the 26th & King Drive RPA shall be governed by the terms of a written redevelopment agreement entered into by a designated developer and the City and approved by the City Council. Where tax increment funds are used to pay eligible redevelopment project costs, to the extent funds are available for such purposes, expenditures by the City shall be coordinated to coincide on a reasonable basis with the actual redevelopment expenditures of the developer(s). The Redevelopment Plan and Project shall be completed, and all obligations issued to finance redevelopment costs shall be retired, no later than December 31st of the year in which the payment to the City treasurer as provided in the Act is to be made with respect to ad valorem taxes levied in the twenty-third year calendar year following the year in which the ordinance approving this Redevelopment Plan and Project is adopted (by December 31, 2029), if the ordinances establishing the RPA are adopted during 2005).

Sources of Funds to Pay Costs

Funds necessary to pay for Redevelopment Project Costs and secure municipal obligations issued for such costs are to be derived primarily from Incremental Property Taxes. Other sources of funds which may be used to pay for Redevelopment Project Costs or secure municipal obligations are land disposition proceeds, state and federal grants, investment income, private financing and other legally permissible funds the City may deem appropriate. The City may incur redevelopment project costs which are paid for from funds of the City other than incremental taxes, and the City may then be reimbursed for such costs from incremental taxes. Also, the City may permit the utilization of guarantees, deposits and other forms of security made available by private sector developers. Additionally, the City may utilize revenues, other than State sales tax increment revenues, received under the Act from one redevelopment project area for eligible costs in another redevelopment project area that is either contiguous to, or is separated only by a public right-of-way from, the redevelopment project area from which the revenues are received.

The 26th & King Drive RPA is contiguous to or separated by only a public right-of-way from the Bronzeville RPA, and may in the future, be contiguous to, or be separated only by a public right-of-way from other redevelopment areas created under the Act. The City may utilize net incremental property taxes received from the 26th & King Drive RPA to pay eligible redevelopment project costs, or obligations issued to pay such costs, in other contiguous redevelopment project areas or project areas separated only by a public right-of-way, and vice versa. The amount of revenue from the RPA, made available to support such contiguous redevelopment project areas, or those separated only by a public right-of-way, when added to all amounts used to pay eligible Redevelopment Project Costs within the RPA, shall not at any time exceed the total Redevelopment Project Costs described in this Plan.

The 26th & King Drive RPA may become contiguous to, or be separated only by a public right-of-way from, redevelopment project areas created under the Industrial Jobs Recovery Law (65 ILCS 5/11-74.6-1, et seq.). If the City finds that the goals, objectives and financial success of such contiguous redevelopment project areas or those separated only by a public right-of-way are interdependent with those of the RPA, the City may determine that it is in the best interests of the City and the furtherance of the purposes of the Plan that net revenues from the RPA be made available to support any such redevelopment project areas, and vice versa. The City therefore proposes to utilize net incremental revenues received from the RPA to pay eligible redevelopment project costs (which are eligible under the Industrial Jobs Recovery Law referred to above) in any such areas and vice versa. Such revenues may be transferred or loaned between the RPA and such areas. The amount of revenue from the RPA so made available, when added to all amounts used to pay eligible Redevelopment Project Costs within the RPA or other areas as described in the preceding paragraph, shall not at any time exceed the total Redevelopment Project Costs described in Table 2 of this Plan.

If necessary, the redevelopment plans for other contiguous redevelopment project areas that may be or already have been created under the Act may be drafted or amended as applicable to add appropriate and parallel language to allow for sharing of revenues between such districts.

Issuance of Obligations

To finance project costs, the City may issue bonds or obligations secured by Incremental Property Taxes generated within the 26th & King Drive RPA pursuant to Section 11-74.4-7 of the Act. To enhance the security of a municipal obligation, the City may pledge its full faith and credit through the issuance of general obligations bonds. In addition, the City may provide other legally permissible credit enhancements to any obligations issued pursuant to the Act.

All obligations issued by the City pursuant to this Eligibility Study and Redevelopment Plan and the Act shall be retired within the time frame described under "Phasing and Scheduling of the Redevelopment" above. Also, the final maturity date of any such obligations which are issued may not be later than 20 years from their respective dates of issue. One or more of a series of obligations may be sold at one or more times in order to implement this Eligibility Study and Redevelopment Plan. Obligations may be issued on a parity or subordinated basis.

In addition to paying Redevelopment Project Costs, Incremental Property Taxes may be used for the scheduled retirement of obligations, mandatory or optional redemptions, establishment of debt service reserves and bond sinking funds. To the extent that Incremental Property Taxes are not needed for these purposes, and are not otherwise required, pledged, earmarked or otherwise designated for the payment of Redevelopment Project Costs, any excess Incremental Property Taxes shall then become available for distribution annually to taxing districts having jurisdiction over the RPA in the manner provided by the Act.

Most Recent Equalized Assessed Valuation of Properties in the Redevelopment Project Area

The purpose of identifying the most recent equalized assessed valuation ("EAV") of the 26th & King Drive RPA is to provide an estimate of the initial EAV which the Cook County Clerk will certify for the purpose of annually calculating the incremental EAV and incremental property taxes of the 26th & King Drive RPA. The 13 tax parcels comprising the RPA have a total estimated EAV of \$0 in the 2003 tax year. In 2004, the EAV is expected to remain \$0. The 2003 total EAV amount by PIN is summarized in Appendix 2. The EAV is subject to verification by the Cook County Clerk. After verification, the final figure shall be certified by the Cook County Clerk, and shall become the Certified Initial EAV from which all incremental property taxes in the Redevelopment Project Area will be calculated by Cook County.

Anticipated Equalized Assessed Valuation

By 2028, the EAV for the 26th & King Drive RPA will be approximately \$76.8 million. This estimate is based on several key assumptions, including: 1) an inflation factor of four percent (4%) per year on the EAV of all properties within the 26th & King Drive RPA, with its cumulative impact occurring in each triennial reassessment year; 2) an equalization factor of 2.4598 throughout the life of the RPA and 3) a 2003 tax rate of 6.433% which is projected to decline throughout the life of the RPA.

6. Required Findings and Tests

Lack of Growth and Private Investment

The City is required under the Act to evaluate whether or not the RPA has been subject to growth and private investment and must substantiate a finding of lack of such investment prior to establishing a tax increment financing district.

The RPA has not been subject to growth and development through private enterprise or not-for-profit sources. This lack of investment is evidenced by the fact that the hospital has approximately \$65 million in deferred maintenance and facility rehabilitation and improvement needs, as outlined in the Mercy Hospital's capital improvement budget.

Mercy Hospital has been and will continue to be unable to make significant investments in its facility because it is a not-for-profit hospital which relies heavily on state and federal government funding and is a Disproportionate Share Hospital as defined by the State, meaning that it serves a high proportion of Medicaid patients who account for forty three percent (43%) of all Mercy patients. Both of these factors limit the revenues of the hospital, and the dollars available for facility improvements.

In addition, over the years the three of the four buildings have fallen into disuse and have become vacant. These properties have remained vacant primarily because the cost required to rehabilitate the buildings to modern standards cannot be supported by the private market. The improvements required to bring the buildings to modern standards are extensive, with significant renovations reportedly required to make the buildings marketable. The current hospital operations results in excess land that could be made available for development. However, the current level of infrastructure serving the site is insufficient to support private market redevelopment.

Finding: The Redevelopment Project Area (26th & King Drive RPA) on the whole has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of the Redevelopment Plan and Project.

But for....

The City is required to find that, but for the designation of the TIF district and the use of tax increment financing, it is unlikely that significant investment will occur in the 26th & King Drive RPA.

Without the support of public resources, the redevelopment objectives of the 26th & King Drive RPA will most likely not be realized. TIF assistance may be used to fund rehabilitation, land assembly, site preparation, infrastructure improvements, and expansions to public facilities. Without the creation of the 26th & King Drive RPA, these types of projects are not likely to occur.

Due to Mercy Hospital's mission of serving the economically and socially disadvantaged, it is unlikely that the hospital will have the resources available to upgrade and modernize its facility in the future. In addition, the site preparation and public infrastructure that is necessary to facilitate the redevelopment of the obsolete eastern portion of the campus are so extensive that it would most likely not be able to be absorbed by the private market on its own without public assistance.

Finding: But for the adoption of this Redevelopment Plan and Project, critical resources will be lacking that would otherwise support the redevelopment of the 26th & King Drive RPA and the development of the 26th & King Drive RPA would not be reasonably anticipated.

Conformance to the Plans of the City

The 26th & King Redevelopment Plan and Project must conform to the comprehensive plan for the City, conform to the strategic economic development plans, or include land uses that have been approved by the Chicago Plan Commission.

The proposed land uses described in this Redevelopment Plan and Project will be approved by the Chicago Plan Commission prior to its adoption by the City Council.

Dates of Completion

The dates of completion of the project and retirement of obligations are described under "Phasing and Scheduling of the Redevelopment" in Section 5, above.

Financial Impact of the Redevelopment Project

As explained above, without the adoption of this Redevelopment Plan and Project and tax increment financing, the 26th & King Drive RPA is not expected to be redeveloped by private enterprise. Additionally, there is a genuine threat that blighting conditions will continue to exist and spread, and that the entire area will become a less attractive site for development. The continued decline of the RPA could have a detrimental effect on the growth of property values in surrounding areas and could lead to a reduction of real estate tax revenue to all taxing districts.

This document describes the comprehensive redevelopment program proposed to be undertaken by the City to create an environment in which private investment can reasonably occur. If a redevelopment project is successful, various new projects may be undertaken that will assist in alleviating blighting conditions, creating new jobs, and promoting both public and private development in the 26th & King Drive RPA.

This Redevelopment Plan and Project is expected to have short- and long-term financial impacts on the affected taxing districts. During the period when tax increment financing is utilized, real estate tax increment revenues from the increases in EAV over and above the certified initial EAV (established at the time of adoption of this document by the City) may be used to pay eligible redevelopment project costs for the 26th & King Drive RPA. At the time when the 26th & King Drive RPA is no longer in place under the Act, the real estate tax revenues resulting from the

redevelopment of the 26th & King Drive RPA will be distributed to all taxing districts levying taxes against property located in the 26th & King Drive RPA. These revenues will then be available for use by the affected taxing districts.

Demand on Taxing District Services and Program to Address Financial and Service Impact

In 1994, the Act was amended to require an assessment of any financial impact of a redevelopment project area on, or any increased demand for service from, any taxing district affected by the redevelopment plan, and a description of any program to address such financial impacts or increased demand.

The City intends to monitor development in the 26th & King Drive RPA and with the cooperation of the other affected taxing districts will attempt to ensure that any increased needs are addressed in connection with any particular development. The following major taxing districts presently levy taxes on properties located within the 26th & King Drive RPA and maintain the listed facilities within the boundaries of the RPA, or within close proximity (three to five blocks) to the RPA boundaries:

1. City of Chicago

2. Chicago Board of Education

- Big Picture Company High School (2710 South Dearborn Street)
- Drake Elementary (2722 South King Drive)
- Dunbar Vocational High School (3000 South King Drive)
- Graham Training Center (2347 South Wabash Avenue)
- Haines Elementary (247 West 23rd Place)
- Kipp Middle School (2710 South Dearborn Street)
- National Teachers Academy (55 West Cermak Road)
- Williams Middle School (2710 South Dearborn Street)
- Williams Multiplex (2710 South Dearborn Street)
- Young Women's Leadership Academy (2641 South Calumet Avenue) (Charter School)

3. Chicago School Finance Authority

4. Chicago Park District

- Daniel Hale Williams (2710 South Dearborn Street)
- Paul Laurence Dunbar (300 East 31st Street)
- Lake Meadows (3117 South Rhodes Avenue)
- Daniel Burnham/Lakefront (425 E. McFetridge Drive)

5. City of Chicago Library Fund

- Chinatown Branch (2353 South Wentworth Avenue)

6. Chicago Community College District 508**7. Metropolitan Water Reclamation District of Greater Chicago****8. County of Cook****9. Cook County Forest Preserve District**

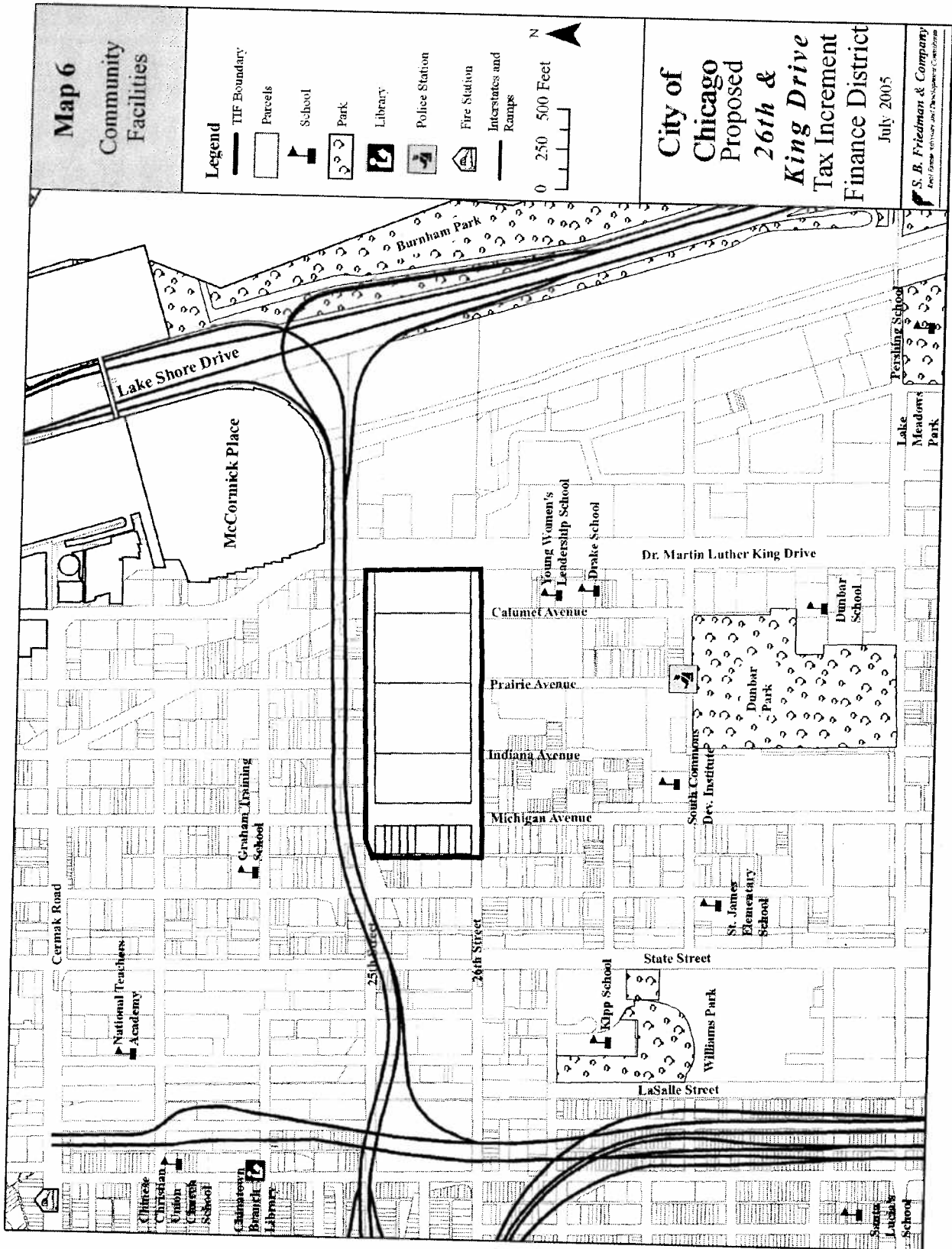
Map 6 illustrates the locations of community facilities operated by the above listed taxing districts within or in close proximity to the 26th & King Drive RPA. Redevelopment activity may cause increased demand for services from one or more of the above listed taxing districts. The anticipated nature of the increased demand for services on these taxing districts, and the proposed activities to address increased demand are described below.

City of Chicago. The City is responsible for a wide range of municipal services, including: police and fire protection; capital improvements and maintenance; water supply and distribution; sanitation service; and building, housing and zoning codes. Replacement of vacant and under-utilized sites with active and more intensive uses may result in additional demands on services and facilities provided by the districts. While there are no public service facilities operated by the City within the 26th & King Drive RPA, there are several within close proximity to the area. Additional costs to the City for police, fire, and recycling and sanitation services arising from residential development may occur. However, it is expected that any increase in demand for the City services and programs associated with the 26th & King Drive RPA can be handled adequately by City police, fire protection, sanitary collection and recycling services, and programs currently maintained and operated by the City. The redevelopment of the 26th & King Drive RPA will not require expansion of services in this area.

City of Chicago Library Fund. The Library Fund, supported primarily by property taxes, provides for the operation and maintenance of City of Chicago public libraries. Additional costs to the City for library services arising from residential development may occur. However, it is expected that any increase in demand for City library services and programs associated with the 26th & King Drive RPA can be handled adequately by existing City library services. The redevelopment of the 26th & King Drive RPA will not require expansion of services in this area.

Chicago Board of Education and Associated Agencies. General responsibilities of the Board of Education include the provision, maintenance and operation of educational facilities and the provision of education services for kindergarten through twelfth grade.

It is possible that some families who purchase housing or rent new apartments in the 26th & King Drive RPA will send their children to public schools, putting increased demand on area school districts. However, it is unlikely that the scope of new residential construction would exhaust existing capacity. Existing enrollment capacity was verified through data provided from the Department of Operations at the Chicago Public Schools (CPS). According to CPS, elementary and middle schools establish a maximum enrollment capacity of eighty percent (80%) of the



maximum facility design capacity. The maximum enrollment capacity for high school facilities is one hundred percent (100%) of the maximum facility design capacity.

The enrollment and capacity data provided by CPS reveal that one of the six school facilities that serve the proposed 26th & King Drive RPA and the area immediately surrounding it is currently operating in excess of full capacity, with enrollment at ninety three percent (93%) percent of permanent design capacity. Enrollment at the five remaining school facilities is currently within their respective design capacities. Any increased costs to the local schools resulting from children residing in TIF-assisted housing units will trigger those provisions within the Act that provide for reimbursement to the affected school district(s) where eligible. The City intends to monitor development in the 26th & King Drive RPA and, with the cooperation of the Board of Education, will attempt to ensure that any increased demands for services and capital improvements provided by the Board of Education are addressed in connection with each new residential project.

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

It is expected that the households that may be added to the 26th & King Drive RPA may generate additional demand for recreational services and programs and may create the need for additional open spaces and recreational facilities operated by the Chicago Park District. The City intends to monitor development in the 26th & King Drive RPA and, with the cooperation of the Chicago Park District, will attempt to ensure that any increased demands for the services and capital improvements that may be provided by the Chicago Park District are addressed in connection with any particular residential development.

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

It is expected that any increase in demand for services from Community College District 508 indirectly or directly caused by development within the 26th & King Drive RPA can be handled adequately by the district's existing service capacity, programs and facilities. Therefore, at this time no special programs are proposed for this taxing district. Should demand increase, the City will work with the affected district to determine what, if any, program is necessary to provide adequate services.

Metropolitan Water Reclamation District. This district provides the main trunk lines for the collection of wastewater from Cities, Villages and Towns, and for the treatment and disposal thereof.

It is expected that any increase in demand for treatment of sanitary and storm sewage associated with the 26th & King Drive RPA can be handled adequately by existing treatment facilities maintained and operated by the Metropolitan Water Reclamation District of Greater Chicago.

Therefore, no special program is proposed for the Metropolitan Water Reclamation District of Greater Chicago.

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

It is expected that any increase in demand for Cook County services can be handled adequately by existing services and programs maintained and operated by the County. Therefore, at this time, no special programs are proposed for these taxing districts. Should demand increase, the City will work with the affected taxing districts to determine what, if any, program is necessary to provide adequate services.

Cook County Forest Preserve District. The Forest Preserve District is responsible for acquisition, restoration and management of lands for the purpose of protecting and preserving open space in the City and County for the education, pleasure and recreation of the public. It is expected that any increase in demand for Forest Preserve services can be handled adequately by existing facilities and programs maintained and operated by the District. No special programs are proposed for the Forest Preserve.

Given the nature of the Redevelopment Plan and Project, specific fiscal impacts on the taxing districts and increases in demand for services provided by those districts cannot be wholly predicted within the scope of this plan.

7. Provisions for Amending Redevelopment Plan and Project


This Redevelopment Plan and Project and Project document may be amended pursuant to the provisions of the Act.

8. Commitment to Fair Employment Practices and Affirmative Action Plan

The City is committed to and will require developers to follow and affirmatively implement the following principles with respect to this Redevelopment Plan and Project. However, the City may implement programs aimed at assisting small businesses, residential property owners, and developers which may not be subject to these requirements.

- A. The assurance of equal opportunity in all personnel and employment actions with respect to this Redevelopment Plan and Project, including, but not limited to, hiring, training, transfer, promotion, discipline, fringe benefits, salary, employment working conditions, terminations, etc. without regard to race, color, religion, sex, age, disability, national origin, sexual orientation, ancestry, marital status, parental status, military discharge status, source of income or housing status.
- B. Meeting the City's standards for participation of twenty four percent (24%) Minority Business Enterprises and four percent (4%) Women Business Enterprises and the City Resident Construction Worker Employment Requirement as required in redevelopment agreements.
- C. The commitment to affirmative action and non-discrimination will ensure that all members of the protected groups are sought out to compete for all job openings and promotional opportunities.
- D. Meeting City standards for the hiring of City residents to work on redevelopment project construction projects.
- E. Meeting City standards for any applicable prevailing wage rate as ascertained by the Illinois Department of Labor to all project employees.

*Appendix 1:
Boundary and Legal Description*

GREMLEY  BIEDERMANN

ROBERT E. BIEDERMANN
G. THOMAS GREEN
ROBERT G. BIEDERMANN
WILLIAM E. BIEDERMANN
ROBERT TREMBLAY

PROFESSIONAL ILLINOIS LAND SURVEYORS

Land Surveyors
4505 N. ELSTON AVE.
CHICAGO, IL 60630
772/686-5102
Fax 772/286-4184
info@pics-survey.com

Proposed TIF Boundary

Those parts of various Lots, parts of Lots and Streets and Alleys in Various Subdivisions in part of the Northwest Quarter and part of the Southwest Quarter of Section 27, Township 39 North, Range 14, East of the Third Principal Meridian, described as follows:
Beginning at the intersection of the North line of East 25th Street with the West line of South Park Avenue; Thence South along the West line of South Park Avenue and its Southerly extension to the Easterly extension of the South line of East 26th Street; Thence West along said Easterly extension and the South line of East 26th Street to the Southerly extension of the West line of the first 18 foot public alley West of South Michigan Avenue; Thence North along said extension and the West line of said 18 foot public alley and its Northerly extension to the North line of East 25th Street aforesaid; Thence East along the North line of East 25th Street and its Easterly extensions to the point of beginning, in Cook County, Illinois.

2005-03591

**Appendix 2:
Summary of EAV (by PIN)**

Summary of 2003 Equalized Assessed Value By Permanent Index Number (PIN)

No.	PIN	Assessed Value 2003 (AV)	Equalized Assessed Value 2003 (EAV)
1	17-27-129-001-0000	EX	EX
2	17-27-129-002-0000	EX	EX
3	17-27-129-003-0000	EX	EX
4	17-27-129-004-0000	EX	EX
5	17-27-123-015-0000	EX	EX
6	17-27-123-016-0000	EX	EX
7	17-27-123-017-0000	EX	EX
8	17-27-123-018-0000	EX	EX
9	17-27-123-019-0000	EX	EX
10	17-27-123-020-0000	EX	EX
11	17-27-123-021-0000	EX	EX
12	17-27-123-022-0000	EX	EX
13	17-27-123-023-0000	EX	EX

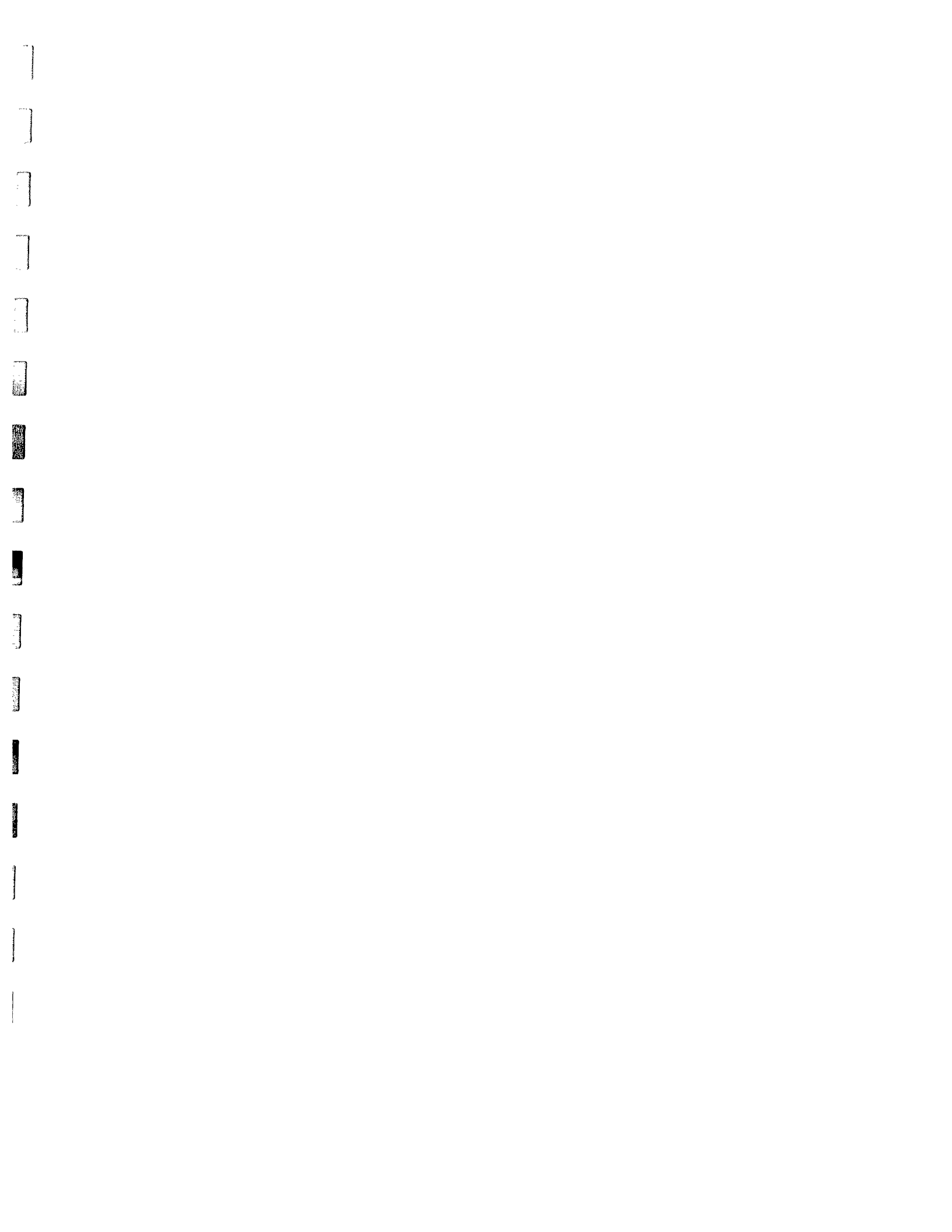


Table of Contents

1. Executive Summary.....	1
2. Introduction.....	6
3. Eligibility Analysis	13
4. Redevelopment Project & Plan.....	27
5. Financial Plan	32
6. Required Findings and Tests.....	39
7. Provisions for Amending Redevelopment Plan and Project.....	46
8. Commitment to Fair Employment Practices and Affirmative Action Plan	47

Appendices

- Appendix 1: Boundary and Legal Description
- Appendix 2: Summary of Estimated 2003 EAV (by PIN)

List of Maps

1. Community Context.....	8
2. Boundary Map	9
3. Existing Land Use.....	12
4. Eligibility Factors	19-24
5. Proposed Land Use	31
6. Community Facilities.....	43

S. B. Friedman & Company
Suite 820, 221 N. LaSalle Street
Chicago, IL 60601-1302
Phone: 312/424-4250; Fax: 312/424-4262
Contact Person: Stephen B. Friedman