O2019-2542 Redevelopment plan for Roosevelt/Clark TIF

Mayor Rahm Emanuel **Finance**

Intro Date: March 13, 2019

Headline: Establishes the redevelopment plan for the Roosevelt/Clark TIF for the 78

Background: The 2017 EAV of the properties located within the TIF are $91.1 million.

Summary: The ordinance establishes a redevelopment plan for the Lincoln Yards TIF. The proposal includes approximately $700 million in TIF eligible expenses and total spending of $1.1 billion if interest costs are included for notes that may be issued for the plan. Those costs include $600 million in public infrastructure improvements, $25 million for property acquisition, prep and remediation costs, $20 million for rehabilitation of existing buildings include the development of affordable housing, $20 million for job training, $25 million for administrative costs, $5 million for relocation costs and $5 million for interest subsidies. In addition, it is anticipated that there will be approximately $400 million in note/bond issuance costs. The TIF is anticipated to spend funds for the 24 years, through 2043.

It is anticipated that by the expiration of the TIF, EAV within the boundaries of the TIF will be approximately $2.1 billion. If EAV growth were to grow at the same rate each year until the TIF's expiration, average annual growth would be approximately 14.7%. Based on the existing tax rate of 7.266%, and this consistent rate of EAV growth, approximately $1.02 billion would be raised by the TIF. However, because the development of the property should be completed prior to the expiration of the TIF, this is a conservative estimate since incremental values will grow more rapidly than 14.7% to completion with inflationary growth after that time.

If the development is completed within 15 years, the TIF will bring in $1.8 billion over the life of the TIF assuming that the development's value is maximized in year 15 with only inflationary growth thereafter. Similarly, if the development is completed in 20 years, the TIF could be anticipated to raise approximately $1.4 billion.

As a result of the State's property tax extension limitation law (PTELL), if this development were to occur absent the use of Tax Increment Financing, the Chicago Board of Education would likely be unable to capture the bulk of this growth in EAV in its property tax levy. However, a loss of state funding for education could occur because the growth in taxable EAV would increase the city's local capacity target resulting in a potential loss of per pupil funding and could potentially contribute to moving CPS from being a tier 1 school to a tier 2 school which would result in a loss of access to potential new state dollars.

The larger impact for the use of tax increment financing (as opposed to the development itself) would likely be felt on increasing tax rates. Assuming that both tax levies and EAV grow at the inflationary rate of 2% outside of the improvement area, tax rates could increase to approximately 7.39% from 7.266%. Those rates would likely be reached around the time of the developments completion, and exist for the remainder of the life of the TIF.

Immediate Fiscal Impact:

Long-Term Fiscal Impact: Up to $1.1 billion in TIF funds.

Co-sponsors:

Additional Considerations: