

Department of Planning and Development
2018 Budget Statement
Commissioner David L. Reifman

Good afternoon Chairman Austin and honorable members of the City Council. Thank you for the opportunity to present the Department of Planning and Development (DPD) budget request for 2018. I'll use our time today to recap some of DPD's most important accomplishments over the last ten months and key goals for the coming year.

We developed our \$185.97 million budget request to maintain or improve the City services and resources that your constituents and businesses deserve and expect, especially in terms of the jobs, affordable housing, and quality of life amenities that make Chicago the most livable big city in America. Our overarching goal is to ensure every neighborhood benefits from those improvements through innovative solutions to short- and long-term community needs.

We're also working to ensure our resources are efficiently and equitably allocated on behalf of Chicago tax payers. Total 2017 MBE spending to date is \$86.6 million or 29.5% of the total expenditures. WBE spending to date is \$16 million, or 5.5% of total expenditures. I'm pleased to report that both of these figures exceed the City's target participation rates.

In addition to our tried-and-true community improvement programs, we initiated several pioneering initiatives this year to help our three bureaus fulfill the mayor's commitment to a more equitable Chicago, where commercial investment, affordable housing, industrial growth, and other public and private development efforts are dispersed throughout the city.

I'll start with our Zoning and Land Use Bureau, which coordinates a wide range of community planning and development initiatives that directly impact our residents, workers and visitors.

ZONING AND LAND USE BUREAU

M/WBE Hiring Executive Order

Let's begin by looking at how our work is affecting Chicago workers. In August, Mayor Emanuel signed an Executive Order mandating that the City's largest construction projects report on their efforts to solicit and hire minority- and women-owned businesses (M/WBE). The executive order requires developers seeking Planned Development (PD) zoning approvals by the Chicago Plan Commission to submit signed affidavits about their efforts to hire women, minority, and local workers.

Previously, no MBE/WBE or local participation was required of developers seeking zoning approval who didn't also seek other forms of City financing. Failure to provide the affidavits may prevent the projects from receiving approval or being certified for occupancy by the Department of Buildings. Through October, 12 projects have been approved by CPC subject to the executive order. Collectively, they represent more than 2,800 construction jobs and \$592 million in project costs. We will be reporting on the hiring data throughout the year.

The Executive Order is both unprecedented and timely: Planned Development applications resulted in record-numbers of construction cranes operating in 2017.

Planned Developments

PDs approved through October are valued at over \$2.764 billion, and they're anticipated to create more than 20,500 permanent and temporary jobs.

The projects include a 12-story West Loop office to support vendors for McDonald's new headquarters, a 27-story residential tower adjacent to the Metra Electric station in Hyde Park, an eight-story hotel at North and Ashland in Wicker Park, a 16-story mixed-use complex in the heart of Jefferson Park, and dozens more.

Industrial Corridor Modernization

Another planning priority that moved forward this year was the mayor's Industrial Corridor Modernization Initiative, which is creating contemporary land use parameters within key portions of the city's industrial corridor system. In July, following an unprecedented community engagement process, the City Council passed Mayor Emanuel's landmark plan to modernize the North Branch Industrial Corridor.

The improvements established new zoning regulations for the 760-acre North Branch Corridor, created two new funding streams that will generate millions of dollars for industrial development across the city, and expanded the Neighborhood Opportunity Fund to promote millions of dollars in additional investment in South and West side commercial corridors, among other improvements.

Each of the reforms was recommended in the "North Branch Framework," a land use strategy adopted by the Chicago Plan Commission in May 2017 to enhance economic development opportunities in the corridor while providing new resources for transportation and open space improvements. We believe the reforms could result in approximately 30,000 new jobs in the corridor, approximately 60 acres of public open space and recreational fields, and key improvements to facilitate access and egress.

This fall, we're working on a similar plan for the Kinzie Industrial Corridor, where we're seeking to modernize the zoning east of Ogden Avenue to help support ongoing growth and central area expansion. From there, we'll move on to Pilsen, Little Village, and other key industrial areas. With your assistance we hope to move forward as efficiently as possible, so the city is in a great position to grow its industrial base. Our process will help achieve a balance for future growth while looking at the costs and benefits of what we're doing.

Transit Oriented Development (TOD)

Another planning initiative I want to update you on is our Transit-Served Location ordinance, through which we promote transit-oriented development on behalf of local neighborhoods with transit stations.

From January 2016 through early September, 72 projects have utilized TOD benefits, primarily with parking reductions. These projects are collectively valued at \$1.6 billion, and they're generating 8,000 construction jobs for local families.

Landmarks

Along with the city's future, the Department is equally committed to the city's legacy. By the end of the year, our historic preservation staff will have coordinated eight formal landmark designations, including the Johnson Publishing Company building on Michigan Avenue, the Rosenwald Apartments in Bronzeville, the Quincy Elevated Station on Wells Street, and the Old Main Post Office. All of these designations are in conjunction with multi-million dollar redevelopment projects that will maintain their viability for years to come.

Resilient Corridors

DPD's \$7.6 million "Resilient Corridors" project started last month to transform 10 City-owned sites in North Lawndale and Humboldt Park into storm-water management assets that include new recreational and open space amenities for area residents and businesses.

The sites are clustered on Chicago Avenue, Ogden Avenue and 16th Street. Each site is unique, but each will include stormwater retention resources, landscaping and gardens that provide for passive recreation and plant cultivation.

Some will also be used for complimentary purposes, including basketball courts, a tree nursery, and a gateway to the planned Park District skate park. One is part of an NOF grant.

Seven sites will be leased, the remaining three will be sold to the NeighborSpace land trust. Costs are being paid for with unspent CDBG-Disaster Recovery funds. The effort represents another way the city is maximizing its resources and being innovative with a joint flood control-recreation-beautification project.

Neighborhood Opportunity Bonus

As I mentioned, the department's three bureaus collaborate on projects throughout the city, especially involving projects funded through the Neighborhood Opportunity ordinance. The Neighborhood Opportunity ordinance is only a year old and it's far exceeding the \$10 million annual revenues that we projected with its adoption last summer. The ordinance simplified and updated the bonus system that developers voluntarily use to increase the allowed density for downtown construction projects; expanded the downtown zoning district boundaries; and created a funding system that provides new financial resources for commercial development projects in neighborhoods lacking private investment, as well as designated City landmarks and local infrastructure.

Through October, the NOB system has generated more than \$42M in developer commitments, of which \$33.9M is being allocated to underserved neighborhoods, \$4.2M toward

infrastructure, and \$4.2M toward city-wide landmarks. A 52-story office building planned for 110 N. Wacker Drive is the largest approved project to date, with more than \$19 million being allocated toward the system.

I'll shift at this point to our Economic Development Bureau, which administers the allocation for strategic neighborhood development projects through the Neighborhood Opportunity Fund.

ECONOMIC DEVELOPMENT BUREAU

Neighborhood Opportunity Fund

The Neighborhood Opportunity Fund awarded \$3.2 million in grants to 32 initial businesses in June. The initial recipients were selected from more than 800 applications to the program.

Priority is given to commercial projects that have a positive, catalytic impact on a commercial corridor, provide goods or services where those goods or services are lacking, or support a new or expanding small business.

Eligible costs include building acquisition and rehabilitation, small business owner training and coaching, required public infrastructure, and local hiring subsidies

First-round projects include a build-out of Shawn Michelle's Homemade Ice Cream at 56 E. 47th St. in Bronzeville; an expansion of Garifuna Flava Caribbean restaurant at 2516 W. 63rd St. in Chicago Lawn, the purchase and rehab of Original Soul Vegetarian restaurant in Chatham; a renovation the family-owned grocery store Carniceria La Hacienda in Gage Park; the purchase, rehab and expansion of Ambassador Floral in Roseland; and the renovation of theater space at the West Austin Development Center in Austin.

Another \$2.5 million is being available to applicants in a second round of applications announced last month. We expect to conclude the application process later this year.

Retail Thrive Zones

To further support improvements to targeted retail corridors on the West and South sides, our Retail Thrive Zone initiative is providing grants to start and expand small businesses. The program leverages Tax Increment Financing resources to improve existing businesses and help new businesses launch and acquire property. It's expected to generate more than 650 new jobs, plus more than 1,500 temporary construction jobs.

An initial \$5 million grants were announced for 51 grant recipients in early July. They include renovations to Casey's Hardware in Back of the Yards; a buildout for Ike's Blues and Jazz club in Austin; renovations to Abundance Bakery in Bronzeville; expansion of Five Loaves restaurant in Chatham; the creation of Englewood Brews and Taproom in Englewood;

renovations of the Chicago-Springfield Insurance Agency in Humboldt Park; and renovations to the Love Dental office in West Pullman.

Thrive Zone grants are structured like Neighborhood Opportunity Fund grants. And we automatically consider anyone who applies for a Thrive Zone grant for a Neighborhood Opportunity Fund grant as appropriate. The grants can cover up to 75% of project costs, including land acquisition and assembly; new construction or rehabilitation; and various design costs

The program also includes a new web portal that makes it easier to seek property tax incentives for new investment projects; bridge loans from local lending partners that provide up-front capital; and access to operating funds from Accion that reduce entrepreneur's reliance on predatory lenders.

Industrial Growth Zones

We're also targeting specific industrial corridors with new resources through the Industrial Growth Zones program, which just completed its first year. The program is designed to accelerate development in the Northwest, Greater Southwest, Burnside and Calumet Industrial Corridors, and the Roosevelt/Cicero Redevelopment Area by removing longstanding hurdles to development and providing a broad set of services to support owners and businesses, especially the two primary issues cited as obstacles to industrial site investment: environmental conditions and government regulations.

Landowners are being provided access to a new site certification program designed to make information about their land available and transparent and prepare it for faster development. Landowners are also eligible to receive up to \$130,000 in financial assistance for environmental site assessments and remediation, plus free marketing to developers and companies. To date, the program has assisted more than 30 new or existing industrial businesses in these areas in obtaining various permits, business licenses, inspections and other issues quickly so that business owners can focus on opening and growing their businesses instead of navigating regulatory processes. We have also completed, in partnership with the EPA, full environmental studies on six city-owned sites in these areas.

2FM Site

This has been a monumental year in terms of leveraging City land and real estate assets on behalf of taxpayers.

DPD hired a broker to market the Department of Fleet and Facilities Management facility in the North Branch corridor, for which we intend to sell to developer Sterling Bay for \$104.7 million. A portion of the proceeds will be used to construct a new, \$37 million maintenance headquarters at 6800 S. Wentworth Ave. The new 200,000-square-foot replacement building will maintain and repair city vehicles such as fire engines, garbage trucks, and snowplows.

About 200 employees will relocate. The Chicago Infrastructure Trust (CIT) is managing the design and development of the new maintenance headquarters.

As part of the plan, the City will also sell five acres of vacant land at 6705 S. Wentworth to Sterling Bay for \$1.3 million for redevelopment into future retail and commercial uses.

Michael Reese

In June, a DPD Request for Proposals led to the selection of a master development team for the nearly 80-acre Michael Reese/McCormick Place Marshalling yards site in Bronzeville. Led by Farpoint Development, Draper & Kramer, Chicago Neighborhood Initiatives, McLaurin Development Partners, and Bronzeville Community Development Partnership, the team will work with the community and the City over the next 10 years to deliver a once-in-a-lifetime redevelopment that will generate new economic opportunities and growth in Bronzeville and beyond.

The project is expected to create up to 36,000 temporary and permanent jobs. The initial phase may include a logistics center to accommodate McCormick Place truck traffic on multiple levels, potentially with new associated event, exhibit and/or meeting space. Planned later phases include more than 5 million square feet of technology-oriented commercial spaces, retail uses, homes and a hotel, depending on market demand.

The overall project scope will be subject to a formal redevelopment agreement that will be finalized through a community-based process that will be subject to approval by the City Council and Metropolitan Pier and Exposition Authority (MPEA) Board. Over 20 years, the project will generate more than \$520 million in property taxes and \$164 million in sales taxes.

202-220 S. State

Also in June, Mayor Emanuel announced two venerable State Street office buildings will be redeveloped as part of a \$141 million residential and retail project by CA Ventures. Located at 202 and 220 S. State St. and owned by the federal government, the vacant, century-old structures were made available through a Request for Proposals process initiated by the DPD and the General Services Administration (GSA) this spring.

CA Ventures' plan for their adaptive re-use will enhance the ongoing renaissance of the Loop's historic shopping corridor. Pending zoning approval by City Council, the project is planned to include a Neighborhood Opportunity Bonus payment of \$4.38 million and a \$5.65 million payment into the city's Affordable Housing Opportunity Fund. The project will create at least 100 permanent jobs, in addition to 200 temporary construction jobs.

55 W. Illinois/Fire House

Another current project that maximizes public property will involve the sale of the city's largest fire station at 55 W. Illinois St. to Friedman Properties for \$20.2 million. Through an

innovative arrangement, the fire house will be rebuilt in virtually the same location, only in the base of a new office building to be built on the site. The project is expected to include an approximately \$10 million voluntary contribution toward the City's Neighborhood Opportunity Bonus system. The City expects to receive about \$5 million for the corporate fund (PSTA), \$4.4 million in annual real estate taxes, as well as a brand new fire station at no additional cost.

Tax Increment Financing

I'll quickly turn to Tax Increment Financing as a development tool and the ongoing refinements that are making the program more effective than ever for neighborhoods in need.

Since Mayor Emanuel took office in 2011, TIF has been used primarily to pay for public improvements and infrastructure like schools, transit, roads, bridges, parks and open space. TIF is also used to support affordable housing and spur economic development, and since 2011, those projects have been located overwhelmingly in our neighborhoods, not downtown.

Recently, the City Council unanimously approved the first "Transit TIF" to allow us to match a \$1 billion federal grant to reconstruct and improve the 100-year-old CTA Red Line. At the Mayor's direction, the existing downtown TIFs have been frozen and are slated for surplusing and termination upon payment of outstanding commitments.

Notable TIF expenditures in 2017 to date include more than \$13.1 million for ADA improvements to local public schools; more than \$10 million in bridge and viaduct repairs; more than \$1.8 million in new allocations for job training in select districts; and \$9.5 million in new allocations for small business improvements in select districts.

Other TIF-assisted projects that moved forward this year include the planned CTA station at Lake and Damen on the Near West Side, where it will serve businesses in the Kinzie Industrial Corridor, visitors to the United Center and nearby residents, including many in Chicago Housing Authority properties. It will also fill a 1.5-mile gap between existing Green Line stations at California and Ashland avenues and address a variety of social justice issues involving public amenities on the West Side, especially involving the former Henry Horner public housing site that's being redevelopment as a mixed-income community. The \$50 million in construction costs will be entirely funded by TIF with work expected to start in 2018.

In September, the new, 1,200-room Marriott Marquis Hotel opened next to the McCormick Place convention center. The \$420 million project received \$55 million in TIF assistance to pay for acquisition and site preparation costs. In addition to accommodating large groups that hold conventions and shows at McCormick Place and improving the competitiveness of the City as a business destination, the hotel will generate new taxes and jobs while supporting the area's planned revitalization as an entertainment district. As a result, almost \$1 billion dollars has been spent to improve the once desolate area around McCormick Place to support the

city's critical tourism and convention business, while also creating thousands of new jobs and generating tens of millions of dollars of contracts for minority businesses.

Property Tax Incentives

Many of the new jobs supported by DPD in 2017 involved the strategic use of our property tax incentives, which foster redevelopment of qualifying industrial and commercial properties by reducing the standard Cook County tax rates for a period of 12 years. Through October, total permanent and temporary jobs to be retained and created through the property tax programs exceed 1,320.

The projects include a 381,000-square-foot state-of-the-art rail-car assembly plant in Hegewisch, which is under contract to produce up to 846 new railcars for the CTA; redevelopment of the former 240,000-square-foot Spiegel Administration Building in Bridgeport as new, multi-use commercial space; construction of a one-story, 167,000-square-foot industrial building on a 10.5-acre site in the Stockyards Industrial Corridor; rehabilitation of a three-story, 48,500-square-foot industrial complex in Albany Park; and renovation of a vacant 13,000-square-foot industrial building in McKinley Park.

Delegate Agencies

Of course, DPD's delegate agencies remain an essential part of our business assistance efforts, especially as they relate to our local industrial and commercial corridors. We will continue to provide funding assistance in the 2018 budget to the 10 LIRIs that support local manufacturers and industrial firms. We will also continue to work with the boards of 53 Special Service Areas to provide local shopping district with additional services that include public safety, aesthetics and marketing, among other benefits.

HOUSING

I'd like to conclude my statement with our Housing Bureau, starting with an update of our "Five Year Housing Plan," which is guiding more than \$1.3 billion in spending to create, improve, and preserve more than 41,000 units of housing citywide.

As you know, each Chicago neighborhood has different market dynamics, including strong real estate markets, transitioning or gentrifying areas, and low-to-moderate income neighborhoods. With this diversity in mind, City housing programs are focused on four core objectives: to support market strength and diversity in thriving neighborhoods; to support growth while preserving affordability and reducing displacement in gentrifying neighborhoods; to foster improved investment in neighborhoods that continue to struggle; and to strategically deploy public resources and leverage private investment whenever possible.

With these goals, DPD's 2017 housing commitments will assist more than 7,700 units of housing through \$244 million in direct assistance. Through the second quarter, we've

committed more than \$150 million in funds to support 5,000 units, which represents approximately two-thirds of our unit and resources allocation goals.

Since 2011, DPD has supported more than 43,000 homes throughout the city, including nearly 2,300 senior units.

Multi-Family Projects

Through June, our multi-family housing commitments are supporting nearly 514 units with \$113 million in direct assistance. These include new and rehabbed units made possible through our multi-family loan and tax credit programs, as well as Tax Increment Financing.

Several City-supported projects have opened in 2017, including Park Place Family Apartments, which created 78 affordable apartments in 14 three-story buildings in West Elsdon; Harvest Homes in East Garfield Park consisting of 36 rental units in four, three-story buildings; City Gardens a campus-style complex with 76 apartments on the Near West Side surrounded by a community garden, children's play area, and picnic area; J. Michael Fitzgerald Apartments, a 63-unit apartment building for seniors in the North Park Nature Center; and the 120-unit Montclare Senior Residences in North Lawndale.

New projects coming online in 2018 or later include the 30-unit El Zocalo complex in Brighton Park; 80-unit Paul G. Stewart Apartments Phase III Tower in Grand Boulevard; the 55-unit retail and residential complex Woodlawn Station in Woodlawn; the 62-unit McCrory Senior Apartments on the Near West Side; the 36-unit Brainerd Park supportive housing complex in Auburn Gresham; the 102-unit Montclare Senior Residences in Englewood; the 36-unit Tierra Linda Apartments on scattered sites in Humboldt Park and Logan Square; and the 88-unit, LGBTQ-friendly John Pennycuff Memorial Apartments in Logan Square.

Chicago Public Library/Chicago Housing Authority Partnership

Also expected to be completed next year are three new mixed-use buildings in the Little Italy, West Ridge and Irving Park neighborhoods that include branch libraries in the base and CHA units on the floors above. The designs for the projects were selected through a Request for Qualifications that we issued last year. The winners include John Ronan Architects, Perkins+Will and SOM. Each team has been paired with a developer to refine each structure based on community needs. Each one has passed Plan Commission and, collectively, they'll provide more than 160 new housing units, almost entirely for the CHA or at affordable rent levels. They're being financed through a variety of loans, tax credits, TIF and other sources.

Affordable Requirements Ordinance Pilots

I want to mention our Affordable Requirements Ordinance, and the three-year pilot program passed by City Council in October to generate new affordable housing in gentrifying areas on the Near North, Near West and Northwest sides. The pilots expand the City's 2015 ARO by requiring developers to include additional affordable housing provisions in two areas determined through demographic data to be experiencing gentrification pressures. The

Milwaukee Corridor pilot area covers approximately nine square miles along Milwaukee Avenue within portions of Logan Square, Avondale and West Town. The Near North/Near West Pilot Area covers approximately six square miles near the North Branch Industrial Corridor on the Near North Side and along the Green Line on the Near West Side.

New projects that trigger the City's ARO requirements will be subject to the new provisions, which include up to 20 percent affordable units on site. Over the next three years, the initiative is expected to create up to 1,000 affordable units. City housing and planning staff will monitor the impact of the pilots on the creation of affordable units and local development and consider what refinements may be appropriate to either continue or expand the policy both during and at the conclusion of the three-year term.

Large Lots

The Large Lots program continues to resonate in local neighborhoods thanks to our bureaus' ongoing collaboration, especially our Zoning and Land Use staff. The recent approval of 935 additional sales in more than 30 different community areas brings the total transaction through the program to approximately 1,500 lots. About 6,000 city-owned, vacant, R-zoned lots remain available citywide. An ongoing U.S. Forest Service Study is helping to assess the impact of the sales. More than half of the sales are directly adjacent to owner's property, 24% are less than 5 lots away, and 22% are more than 5 lots away. Nearly half of large lot owners made changes in the first season, including cleanup, fence installation, turf improvements, and the creation of social and recreational equipment. Approximately half of the lots are actively managed and about one-fifth are actively gardened. Researchers are also indicating that lot buyers have noticed more community cohesion, more social interaction, and quieter and safer blocks.

Public Safety Officer Homebuyer Assistance Program/SARFS/TIF-NIP/Roof & Porch

The new Public Safety Officer Homebuyer Assistance Program will provide up to \$3 million to help Chicago police officers, fire fighters and paramedics to purchase homes in targeted community areas to increase public safety and support continued economic development. The assistance will be provided to each participant through a \$30,000, 10-year loan that will be forgiven for each complete year that the purchaser lives in the home. The program requires homes to be located in specific areas that are part of six Chicago Police districts and need new investment and increased public safety. Funding for the program will come from the Affordable Housing Opportunity Fund.

Other programs that support property owners include the Small Accessible Repairs for Seniors program; the TIF-Neighborhood Improvement Program (NIP); the Roof and Porch Program; and Emergency Heating Program, which continue to be our most popular housing assistance initiatives, affecting more than 1,100 households annually. These programs and others are partly managed by the more than 80 neighborhood-based delegate agencies and not-for-profit organizations that DPD will continue to fund in the proposed 2018 budget.

Chicago Low Income Housing Trust Fund

The Chicago Low Income Housing Trust Fund will meanwhile continue to serve the needs of many renters who are unable to meet their housing expenses. In 2017, the Trust Fund committed monthly rental subsidies on behalf of 2,647 Chicago households, including many veterans, female-headed households, and people living with HIV/AIDS. We anticipate the Trust Fund will support at least that many households in 2018, thanks in part to an upswing in downtown density bonus contributions to the Affordable Housing Opportunity Fund, which supports the program.

Single Room Occupancy

Another affordable housing initiative seeks to preserve Single Room Occupancy (SRO) buildings as housing of the last resort in many neighborhoods. The City passed the SRO Preservation Initiative in 2014 with a goal to preserve 700 SRO units by 2018. More than 1,200 units in 10 buildings are being preserved through the initiative to date, which represents 170% of its original preservation goal. The most recent project is the 90-unit Marshall Hotel on the Near North Side, which is undergoing a \$31.8 million renovation thanks to a \$5 million loan provided by DPD to the Michaels Development Company.

New Initiatives

In coming weeks, we'll be providing details on new housing initiatives that underscore our strategies to promote home-ownership in low-moderate income neighborhoods. This includes a new "City Lots for Working Families" initiative that will incentivize the development of single-family homes on City-owned land across the city, and "New Homes for Chicago," which will provide a fresh approach to purchase price assistance for affordable homes in targeted areas.

In closing, I want to reiterate the department's commitment to affordable housing, jobs, and the quality-of-life enhancements that they make possible for residents, businesses, and workers. We will continue to work with you and your constituents to identify and implement community improvement projects that enhance Chicago as one city for all people.

Thank you.