



TIF and Special District Financing Strategies A Tale of Three Towns – Chicago, Sterling and Volo, Illinois

Tax Increment Financing Practice and Policy Seminar

Marquette University Alumni
Memorial Union, Third Floor
Monaghan Memorial Ballroom
Milwaukee, Wisconsin

July 24, 2007

Sponsored by:



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Chicago, Illinois
Chicago's Central Loop TIF's and Millennium Park

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Tax Increment Financing – a powerful public-private partnership tool

- Tax Increment Financing
 - available in 49 of the 50 states (only exception is Arizona)
- TIF in a nutshell
 - a way to use a public revenue stream to create public-private partnerships
 - essentially recycling incremental real estate tax revenue growth into specific projects (other tax streams available, too)

Tax Increment Financing – a powerful public-private partnership tool

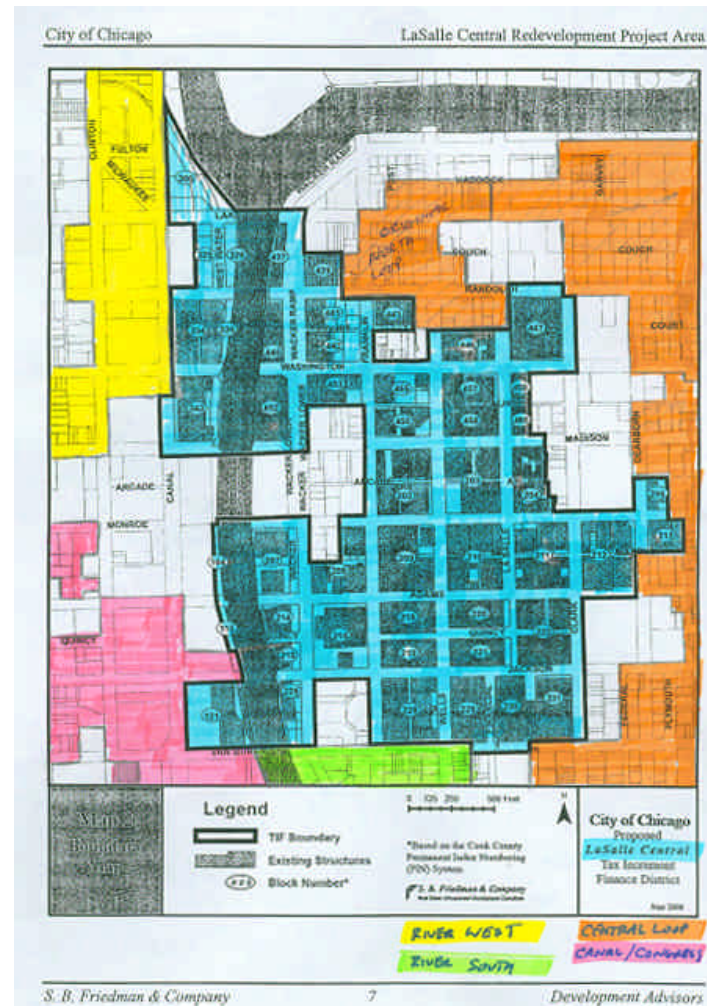
- TIF in a nutshell (cont.)
 - pursuant to a redevelopment plan
 - ❖ for a designated area
 - ❖ for up to 23 years
 - ❖ for typically up to 15% to 20% of a specific project's cost
 - and pursuant to discrete redevelopment agreements
 - facilitates bond financings
 - also, TIF notes tied to specific redevelopment agreements and projects

City of Chicago Tax Increment Financing Districts



- 143 active TIF's
- ~ 15% of the city's land area in TIF's
- A tool well used by Chicago to redevelop significant portions of the City
- We'll focus on five TIF's in the central area, including one of the newest, the LaSalle Street TIF

City of Chicago

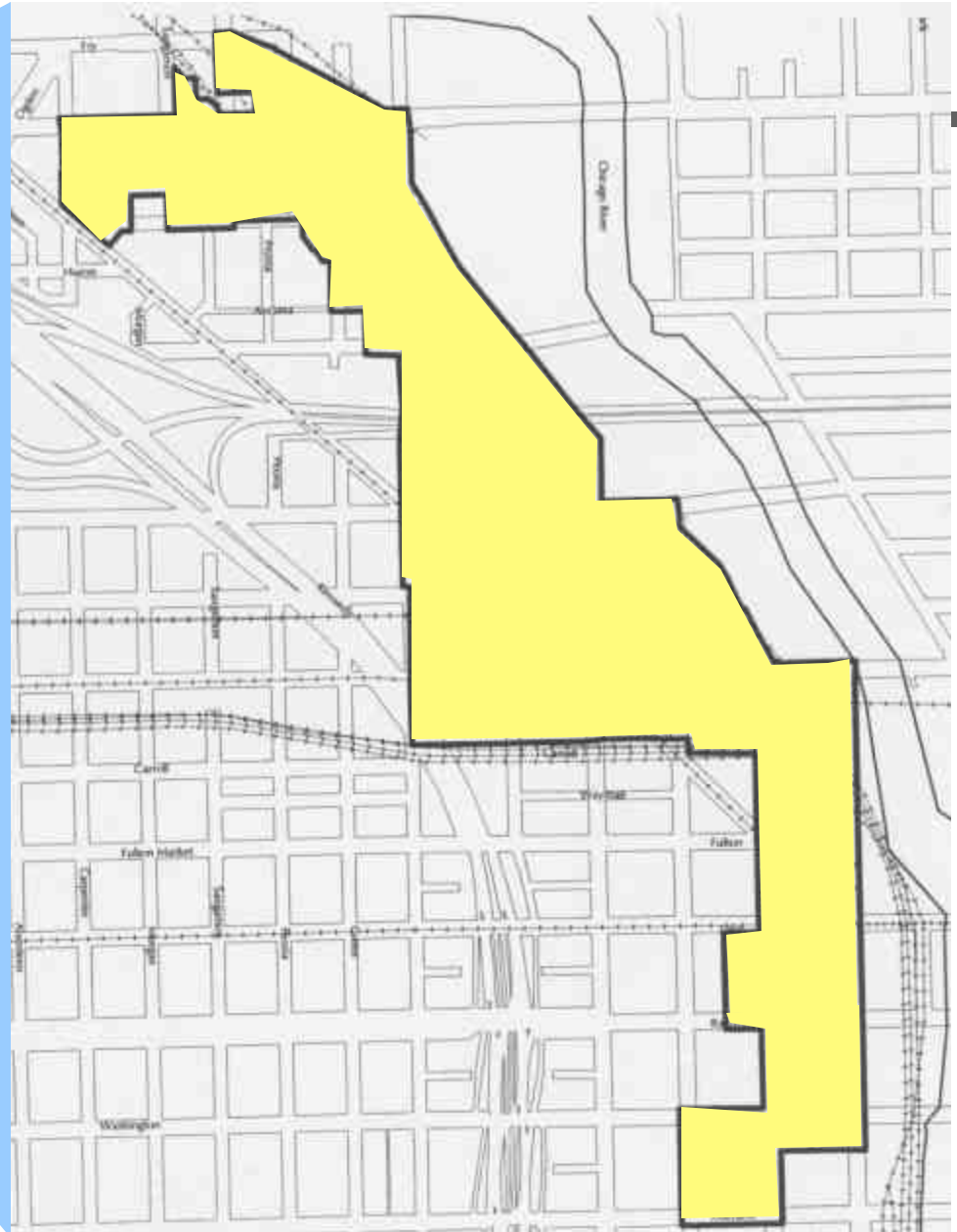


LaSalle Street TIF and four TIF's contiguous to it

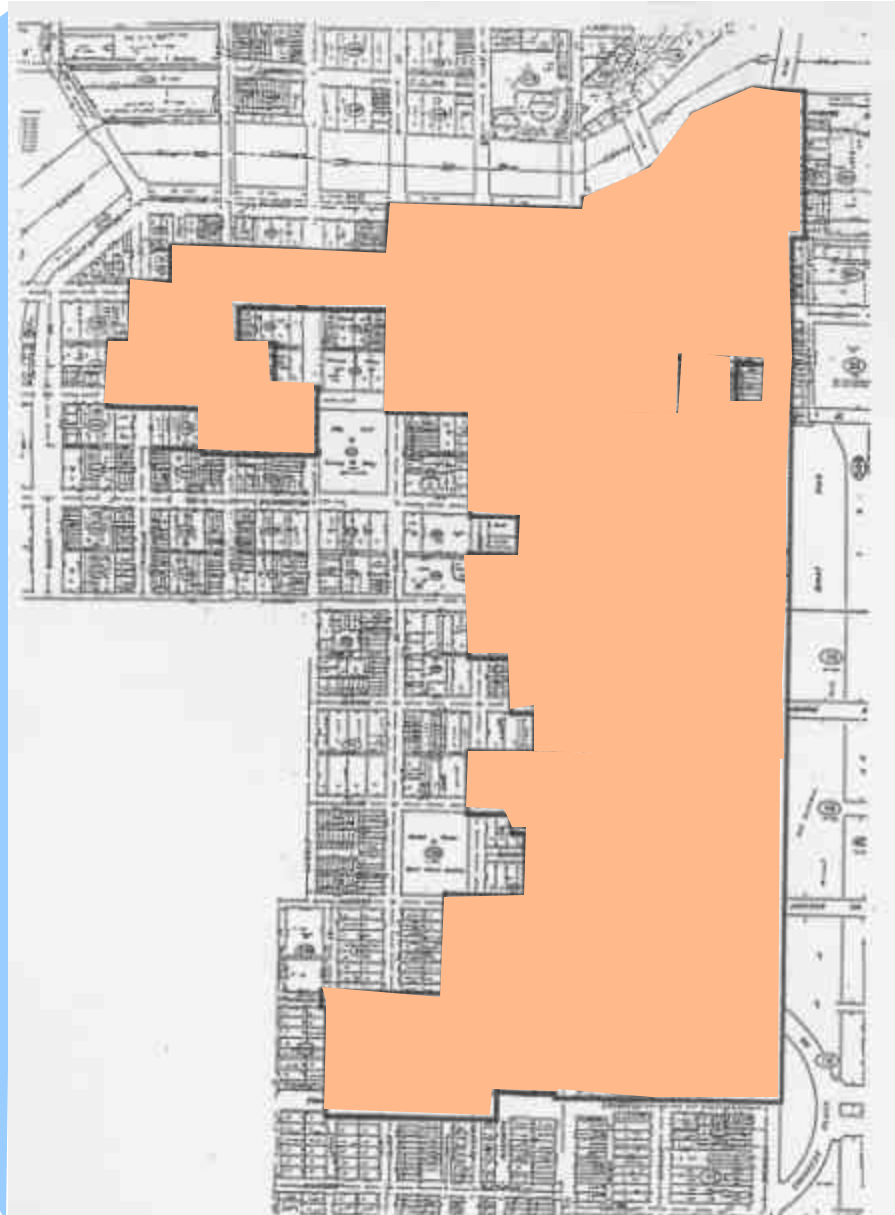
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BELL BOYD
BELL, BOYD & LLOYD LLP

River West



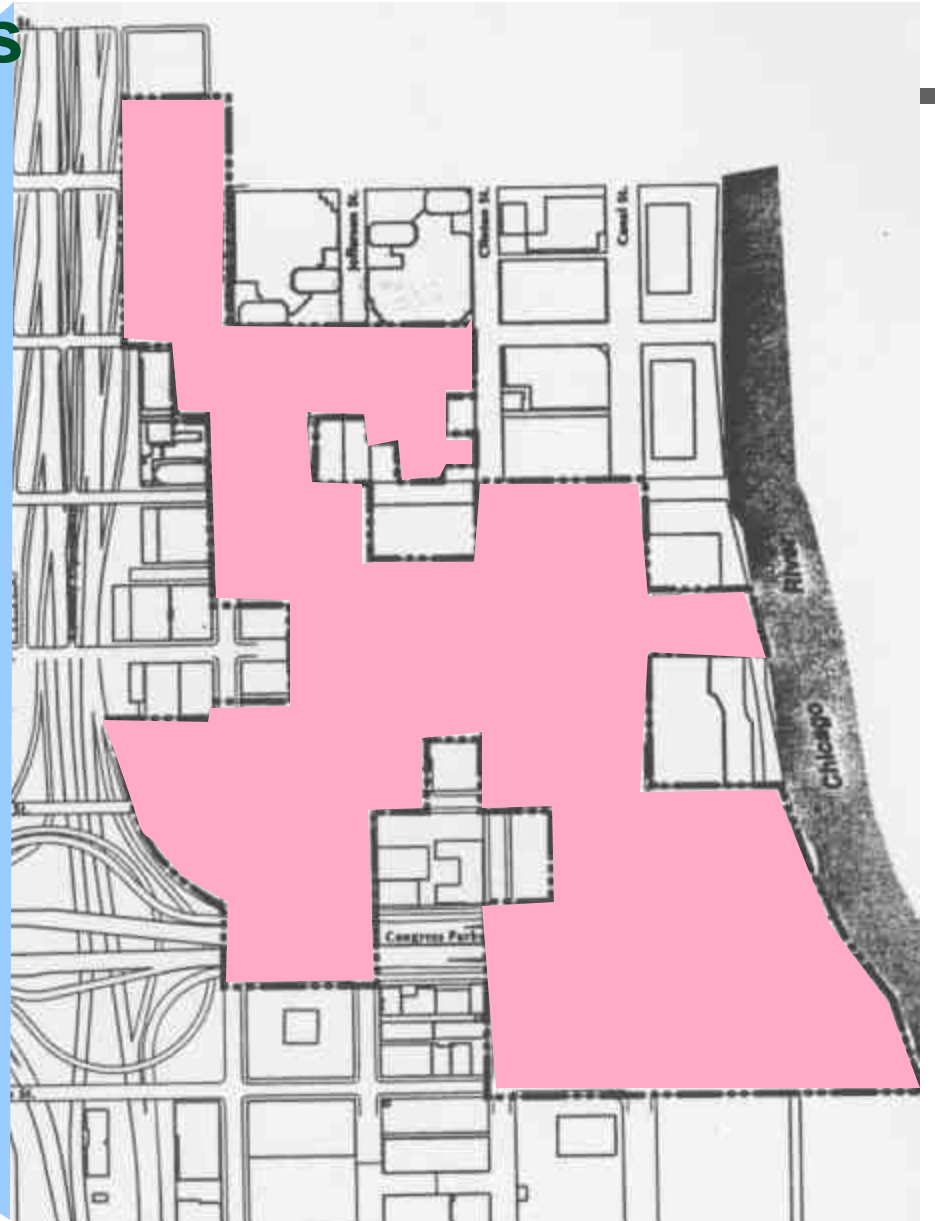
Central Loop



River South



Canal/Congress



LaSalle TIF

TABLE 2: Estimated Redevelopment Project Costs

Eligible Expenses	Estimated Project Costs
Professional Services (including analysis, administration, studies, surveys, legal, marketing, etc.)	\$10,000,000
Property Assembly (including acquisition, site preparation, demolition, and environmental remediation)	\$50,000,000
Rehabilitation of Existing Buildings, Fixtures and Leasehold Improvements	\$200,000,000
Eligible Construction Costs (Affordable Housing Construction Costs)	\$25,000,000
Relocation Costs	\$30,000,000
Public Works or Improvements (including streets and utilities, parks and open space, public facilities (schools & other public facilities) (1))	\$200,000,000
Job Training, Retraining, Welfare-to-Work	\$10,000,000
Interest Subsidy	\$20,000,000
Day Care Services	\$5,000,000
TOTAL REDEVELOPMENT COSTS (2), (3), (4)	\$550,000,000

Estimated Redevelopment Project Costs

River West

Table 4 Estimated Redevelopment Project Costs

Estimated Redevelopment Project Costs	
Professional Services	\$2,000,000
Property Assembly	\$1,000,000
Rehabilitation, Reconstruction or Repair or Remodeling	\$37,000,000
Public Works or Improvements ⁽¹⁾	\$94,000,000
Job Training, Retraining, Welfare-to-Work	\$8,000,000
Relocation	\$1,000,000
Developer Interest Costs	\$2,000,000
Day Care	\$5,000,000
Total Redevelopment Costs ^{(2) (3)}	\$150,000,000

Estimated Redevelopment Project Costs

Canal/Congress

EXHIBIT II: Estimated Redevelopment Project Costs

<u>ELIGIBLE EXPENSE</u>	<u>ESTIMATED COST</u>
Analysis, Administration Studies, Surveys, Legal, Etc.	\$ 2,500,000
Property Assembly	
- Acquisition	\$ 5,000,000
- Site Prep, Demolition and Environmental Remediation	\$10,000,000
Rehabilitation of Existing Buildings	\$43,000,000
Public Works & Improvements	
- Streets and Utilities	\$ 6,000,000
- Parks and Open Space	\$ 9,000,000
Taxing Districts Capital Costs	\$ 1,200,000
Relocation	\$ 500,000
Job Training	\$ 5,000,000
Developer/Interest Subsidy	<u>\$ 6,500,000</u>
TOTAL REDEVELOPMENT COSTS	\$88,700,000⁽¹⁾

River South

EXHIBIT I: ESTIMATED REDEVELOPMENT PROJECT COSTS

<u>ELIGIBLE EXPENSE</u>	<u>Estimated Cost</u>
Analysis, Administration, Studies, Surveys, Legal, etc.	\$2,700,000
Property Assembly	
-Acquisition	\$3,000,000
-Site Prep, Demolition and Environmental Remediation	\$9,500,000
Rehabilitation of Existing Buildings	\$6,000,000
Public Works & Improvements	
-Streets and Utilities	\$28,500,000
-Parks, Open Space and Riverwalk	\$26,800,000 ⁽¹⁾
-Public Facilities	\$53,000,000 ⁽¹⁾
Job Training	\$2,000,000
Developer/Interest Subsidy	\$4,000,000
TOTAL REDEVELOPMENT PROJECT COSTS	\$135,500,000 ⁽²⁾

Central Loop

Table 2: Estimated Redevelopment Project Costs
Central Loop Redevelopment Project Area
Chicago, Illinois

Program Action/Improvement (in \$1,000's)	[1] Original Project Costs	[2] Additional Project Costs	Total Project Costs
Acquisition, Demolition, Site Prep and Relocation	171,000	30,000	201,000
Rehabilitation of Theatres	14,500	60,000	74,500
Rehabilitation of Landmarks	n.a.	20,000	20,000
Other Rehabilitation/Conversion/Reconstruction	n.a.	60,000	60,000
Job Training	n.a.	3,000	3,000
Bus Station Relocation	17,500	n.a.	17,500
Service Tunnel	3,000	n.a.	3,000
Utility Adjustments	3,000	n.a.	3,000
Surface right-of-way improvements	2,000	n.a.	2,000
Riverfront improvements and pedestrian walkways	2,000	n.a.	2,000
Public Improvements/Public Works/ Capital Costs	n.a.	52,000	52,000
Transit Improvements	6,500	49,000	55,500
Planning, Legal, Studies, Administrative	2,000	6,000	8,000
Financing (net capitalized interest)	53,000	n.a.	53,000
Contingencies	8,500		
Interest Subsidies		20,000	20,000
Gross Project Cost	283,000	300,000	583,000 [3]
Less: Disposition Proceeds	57,000	-	57,000
Net Project Cost	226,000	300,000	526,000 *

Estimated Redevelopment Project Costs

A Coordinated Approach

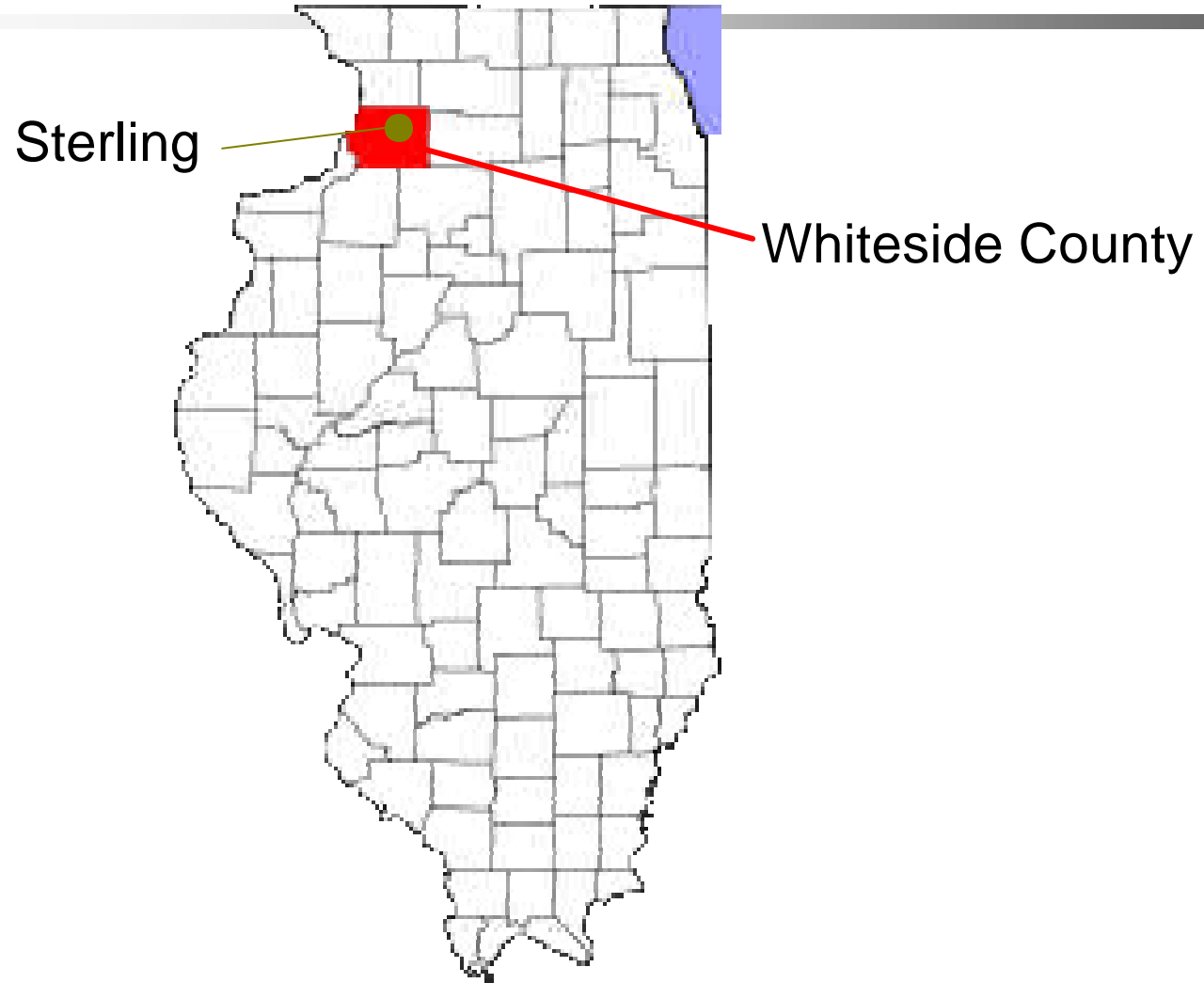
- Consider the formulation of a coordinated approach to the use of the tax increment pooled from these five contiguous TIF districts

- The City is taking a similar approach on the creative use of \$600 million in projected tax increment (from 40 existing TIF districts) to help fund \$1 billion in new school capital expenditures
- The same approach could be considered here
- That discussion could also involve consideration of the relative priority of particular TIF funded projects in the LaSalle TIF district and these four contiguous TIF districts
- The analysis of this discussion could also provide a framework for formulating a policy on the use of tax increments in terms of relative priorities between and among public improvements

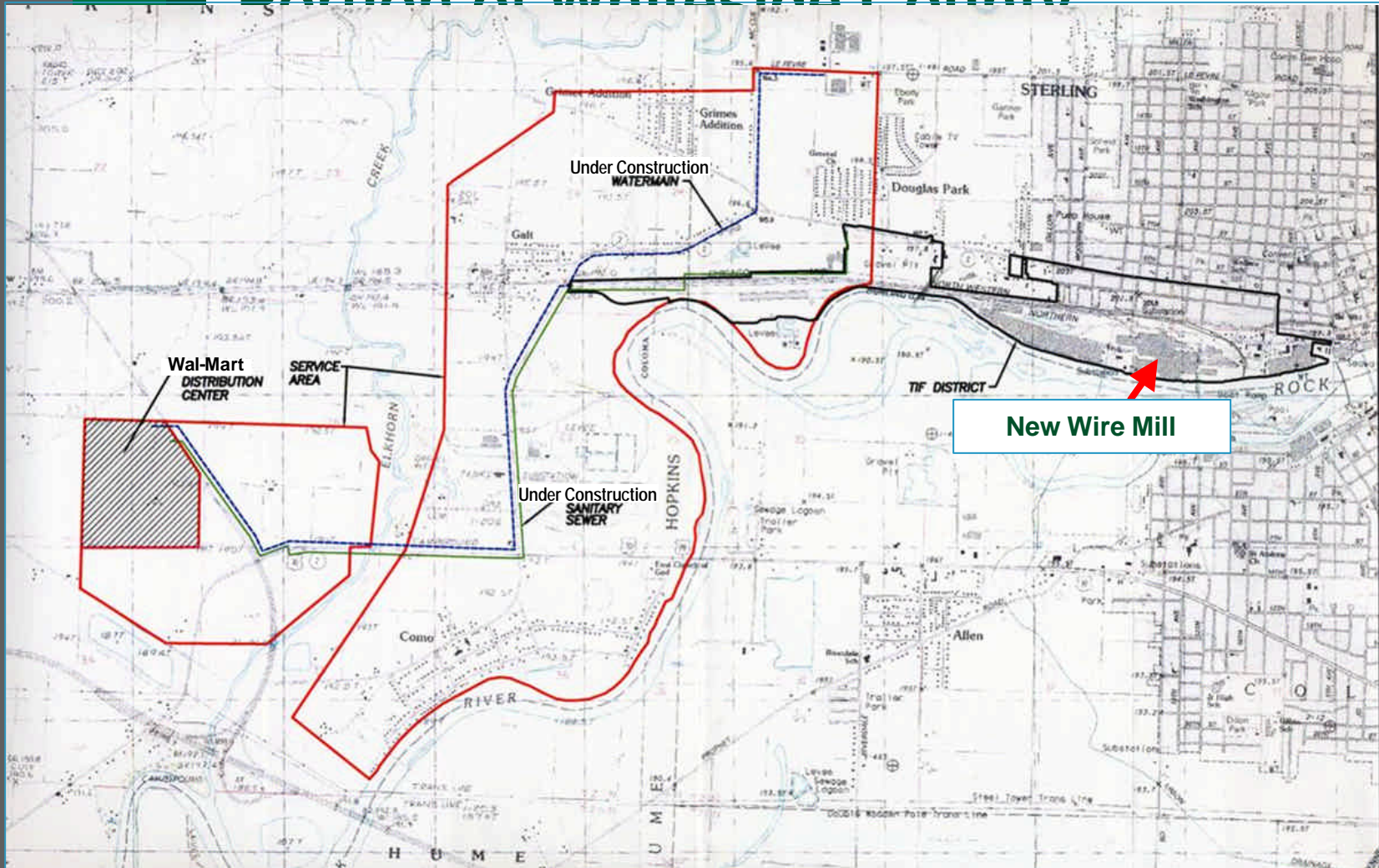


Sterling, Illinois
**Adaptive reuse and resurrection of an integrated
steel mill into a wire mill**

Case Studies



Portion of Whiteside County



Local Economic Background

- Limited community growth
- Industrial and business sectors warning signs were appearing
- Rash of bankruptcy filings by local firms
- Layoffs at many local industries
- Closure of area's largest employer – NWS&W resulting in loss of 1,500 jobs and insurance and retirement benefits for 9,000 retirees.

NWSW's Plant 1 & 2



Sollac Steel Works (near Dunkirk, France)





Emotional & Analytical Framework

- Crisis and leadership promote and inspire change
- Leaders view the glass half full
- Accordingly, view these failed steel mills and this brownfield as a workout opportunity
- What assets do we have to work with and who can become our allies (some willingly; others brought along)
- Use a project finance approach; focus on off-take

World's Largest Arc Furnaces



Electrical Grid Serving Commonwealth Edison's Largest Customer

Electrical Grid



Aerial photo of the Ronald Reagan Freeway's Trumpet Exchange (I-88)



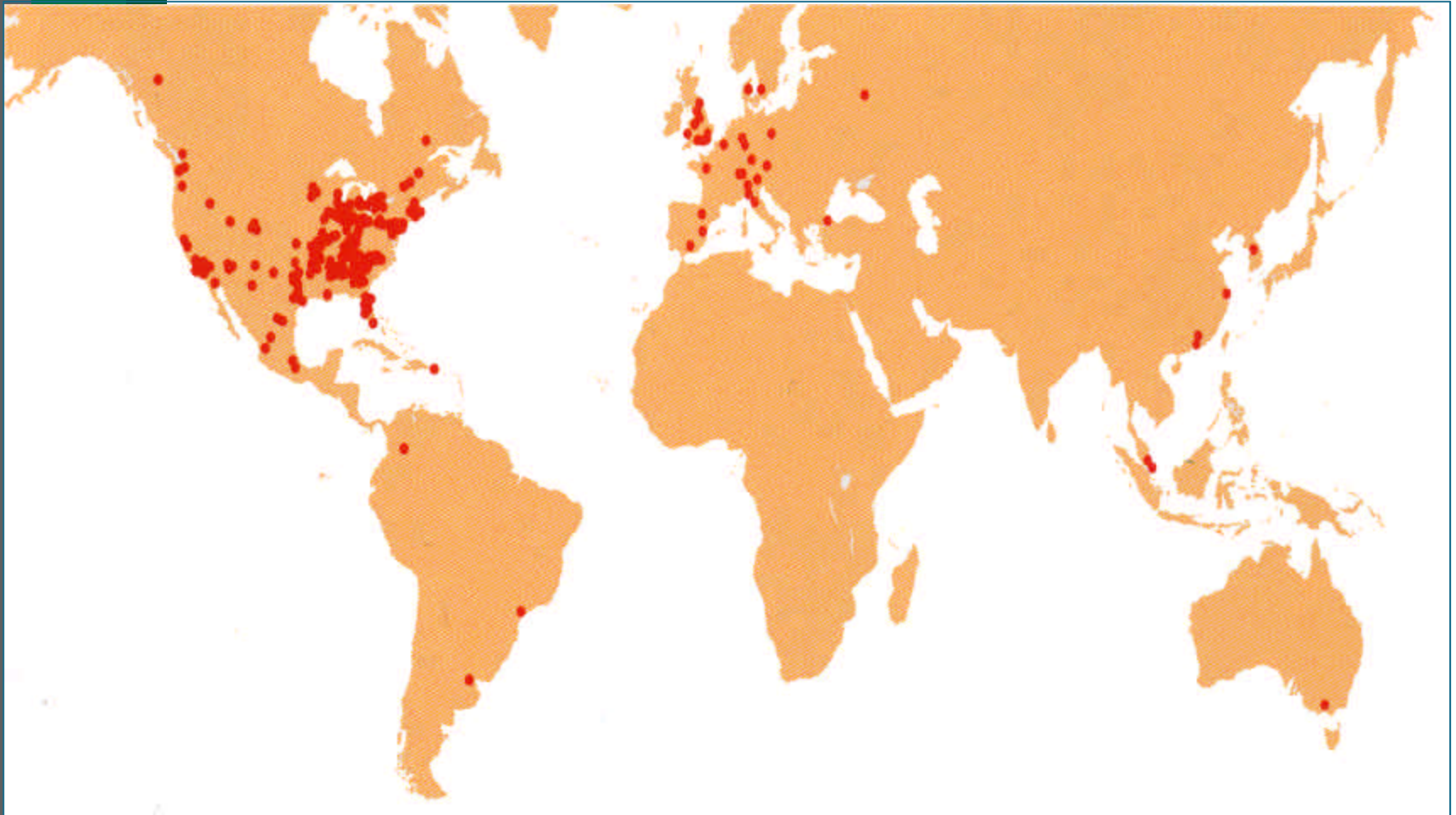
Aerial of main line of Union Pacific Railroad



Responding to the NWS&W closure

- Aggressive posture by Mayor and City Council, community and labor leaders, and economic development partners – Strategic Community-Wide Business Planning
 - Wanted to limit “Rust Belt” scenario
 - Identified what portions of property could be reused
 - Defined economic redevelopment programs and funding sources for reuse of property
 - Identified ways to control property disposition
 - Built Partnerships
 - Intervened in the NWSW Bankruptcy (both liquidating Chapter 11 and then Chapter 7) by aggressively prosecuting a \$6M administrative claim
 - Worked closely with IEPA and USEPA
 - Identified and then worked with adaptive reusers

NWSW's largest customer Leggett & Platt



Final Product



Wal-Mart Under Construction



Ingredients of the Wal-Mart Distribution Center Deal

- In-place infrastructure
- I-88 Trumpet Exchange
- Union Pacific main line
- Cheap and readily available land (15 cents/square foot)
- CDAP, BDPIP and IDOT Economic Development Grants
- Labor Training Grants
- EDGE Tax Credits
- Real estate tax abatement
- Special Service Area financing for 4.5 miles new sewer and water infrastructure
- Available labor pool



Accomplishments to date

1. 80% of the former NWS&W site has been purchased by private sector (contracts pending for the balance)
2. Capital investment of over \$50,000,000
3. In excess of 300 permanent jobs and over 300 temporary construction and clean up jobs created; another 600 jobs in the pipeline
4. \$1.540 M in Brownfield funds secured to date
5. Actively involved IEPA Site Assessment Group in site characterization through utilization of USEPA funds
6. Retained “core” of steel mill
7. Completed environmental assessment (Phase I and/or II) of 700 acres (100%) of property

Accomplishments to date

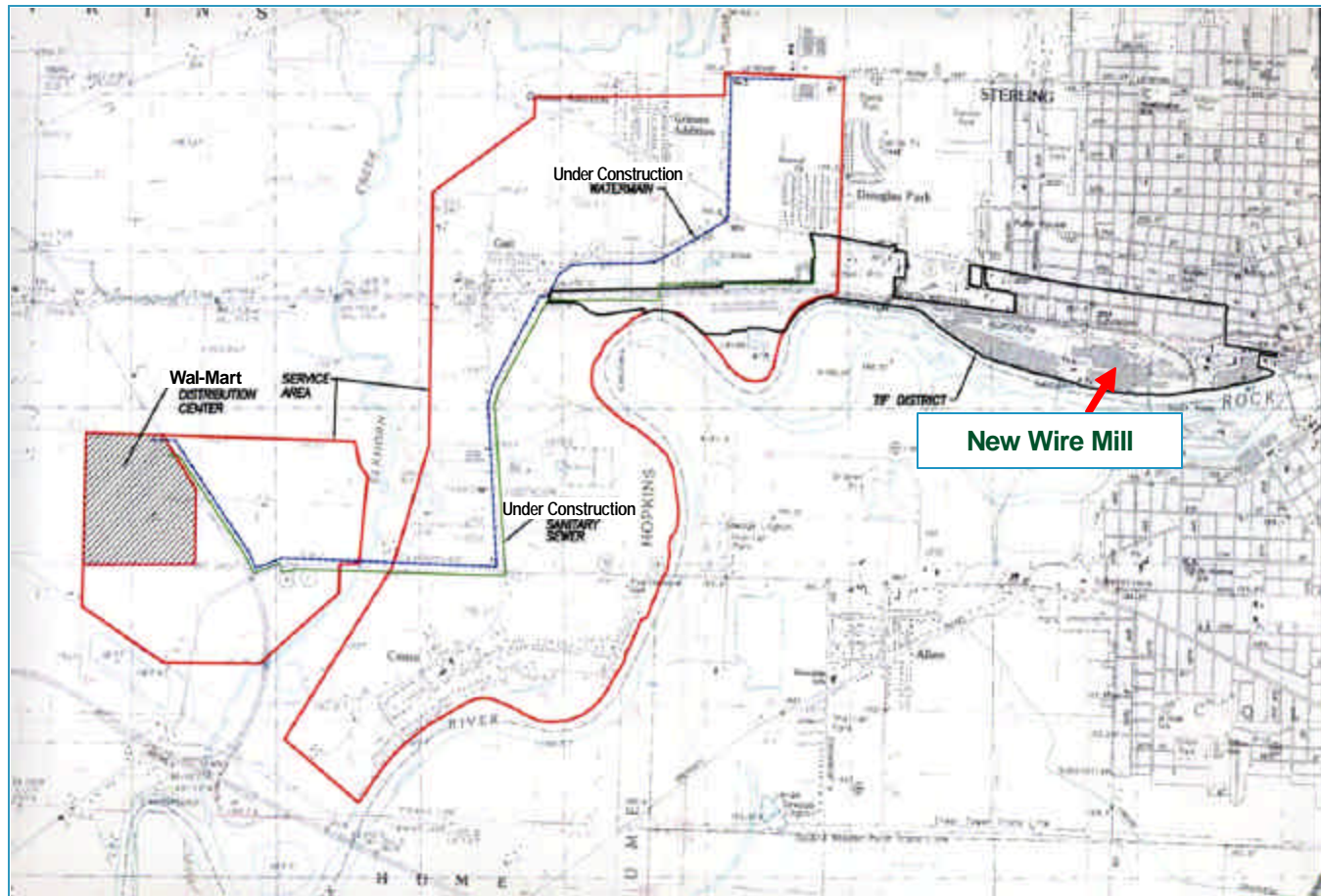
8. Enrolled 230 acres (33%) of property in Site Remediation Program and dealt with three landfills, hazardous waste (K0-61 dust = heavy metals), pre RCRA landfill and non-RCRA landfill (the so-called slag heap)
9. A New Home For 10 New Businesses:
 - Sterling Steel Company, LLC
 - Azcon Corporation
 - Sterling Rail Company, LLC
 - Casey Equipment/Sterling Industrial Park, LLC
 - Rock River Lumber and Grain Company
 - Wilbert Vault Company
 - MATX, Inc.
 - Pallet Manufacturing Inc.
 - Patriot Group
 - Wal-Mart Distribution Center

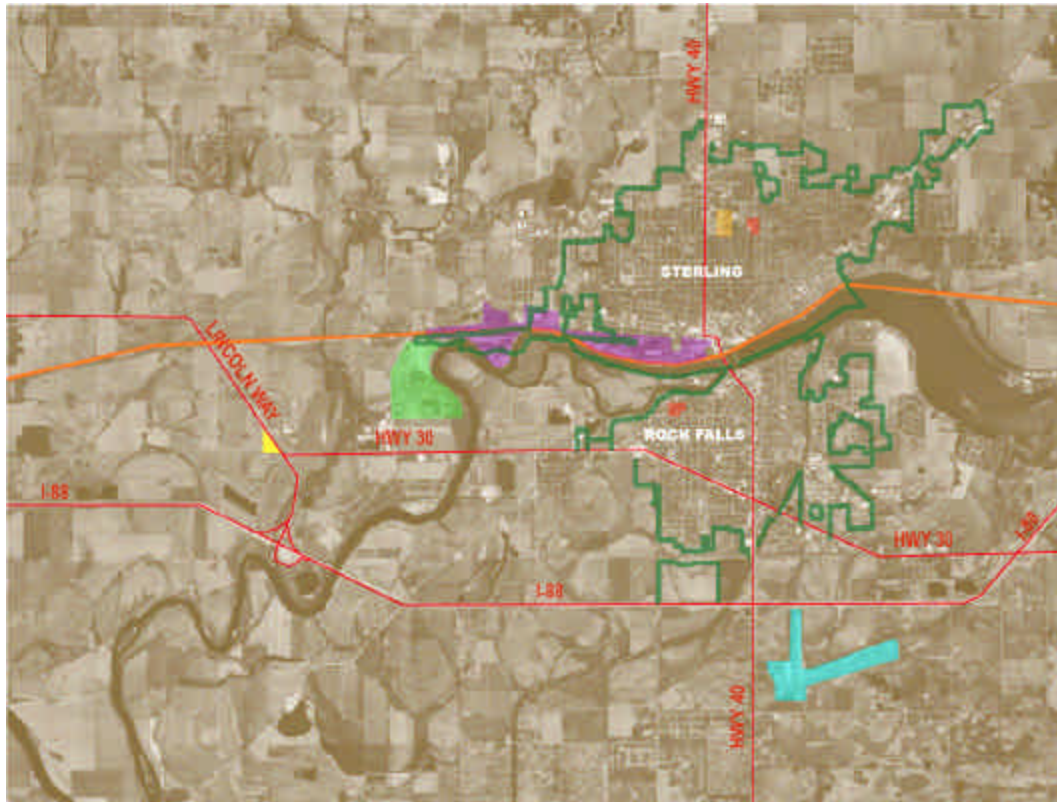
Parameters of project success

- Community buy-in of the project
- Unwavering support of the City Council and willingness to make a financial investment
- Project vision and foreseeable end point - allowing all stakeholders to contribute value
- Partnerships with IEPA, USEPA, DCEO and local economic development groups with “active commitment by all”
- Aggressive, proactive planning and strategy
- Vision and approach that allowed for thinking “outside the box”
- Use of “all available resources” including municipal internal expertise and personnel as well as outside consultants and professionals for strategy information, advice and site analysis

3,000 acre economic development area

Future projects in progress





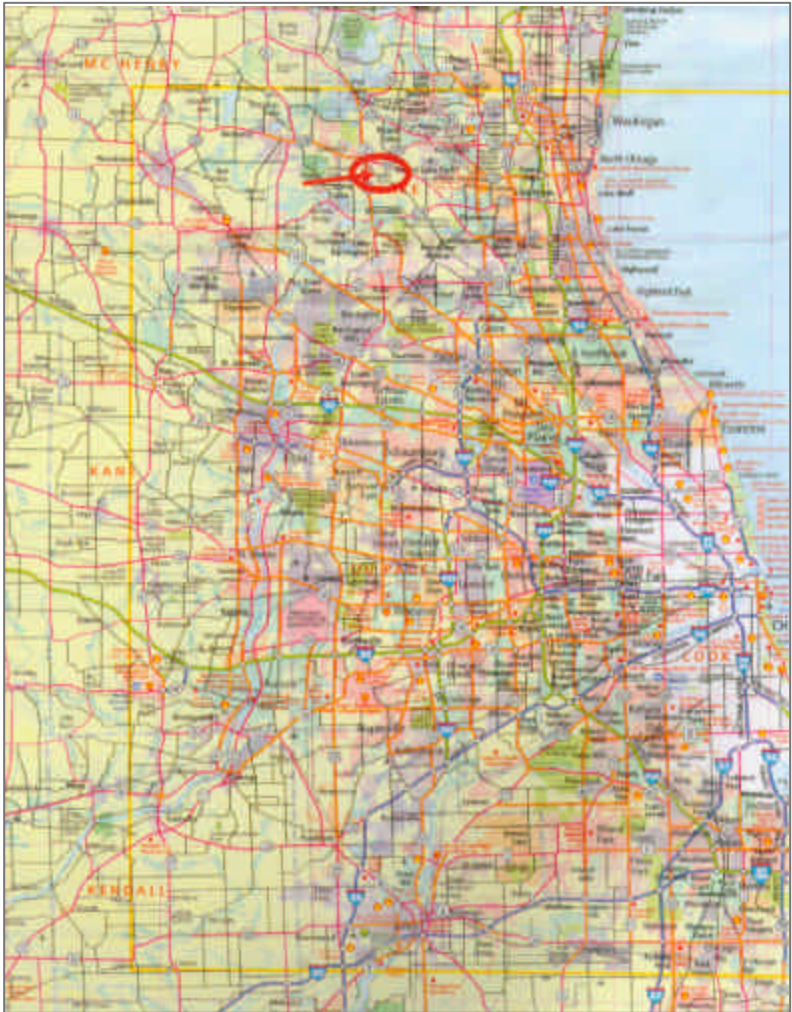
- Airport
 - Balance of Northwestern Steel & Wire Land Holdings
 - Community General Hospital
- Parcel Wal-Mart Distribution Center
 - Rock River District TIF
 - Sterling & Rock Falls Township High School



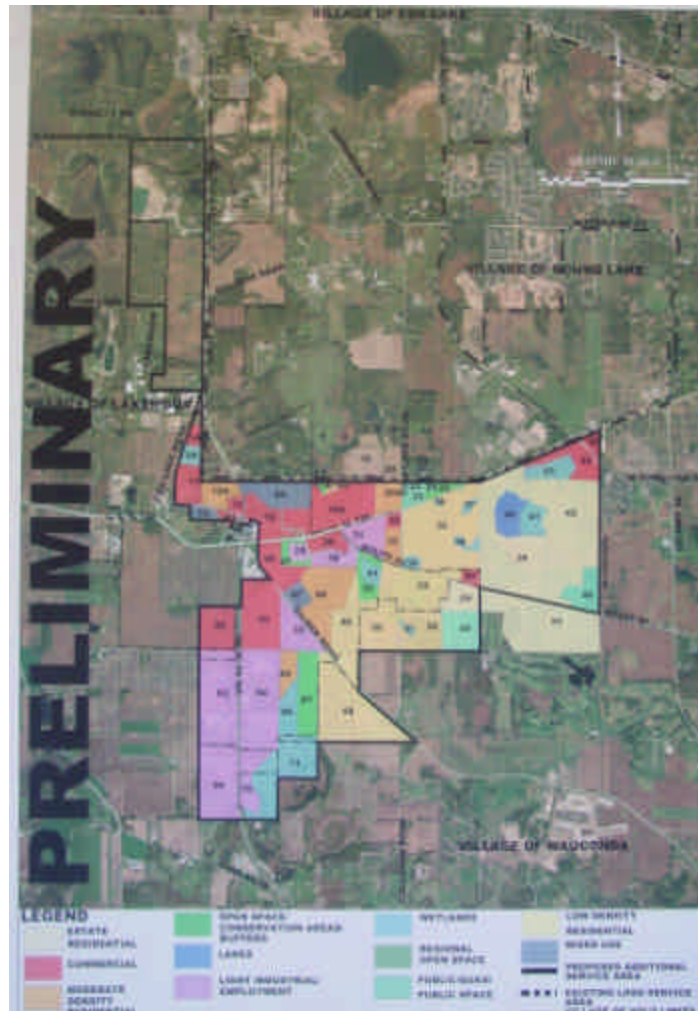
Volo, Illinois

Use of special service areas and business districts to master plan regional sewer and water and road infrastructure and gain 1500 homes and 750,000 in retail

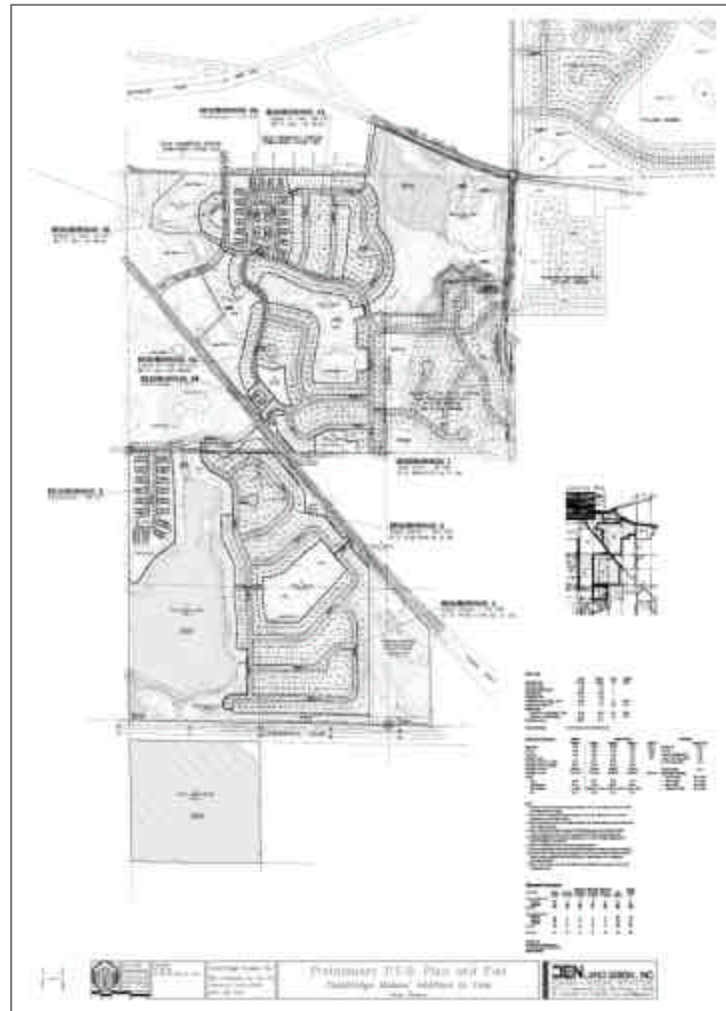
Village of Volo, Illinois – Location Map



Volo Preliminary

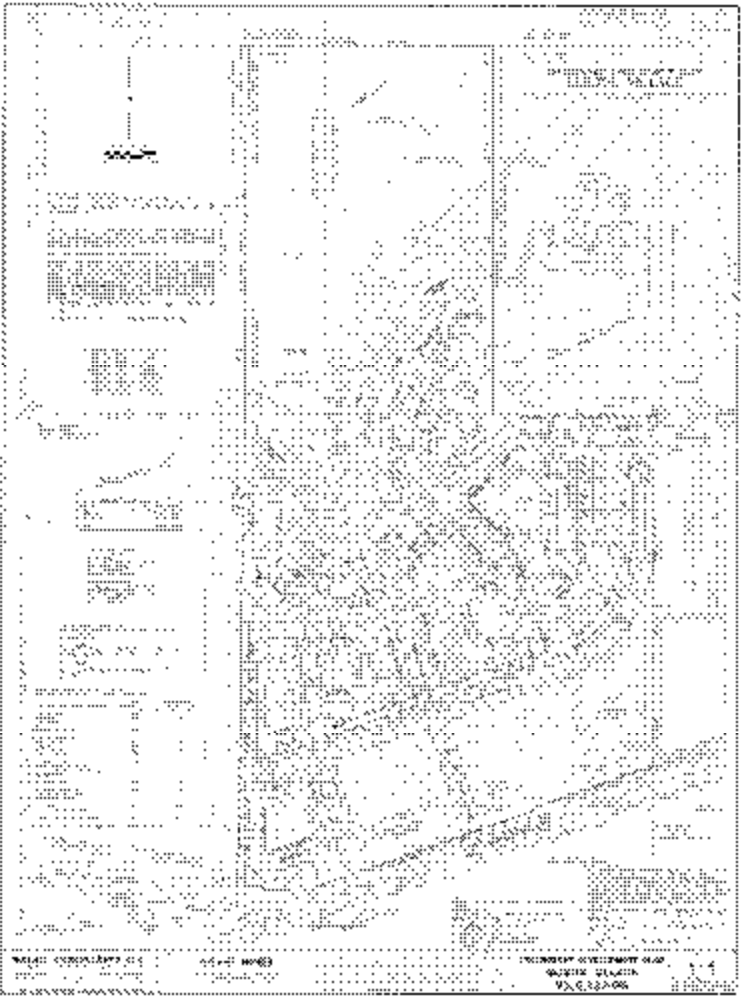


Village of Volo



Site Plan for the Symphony Meadows Subdivision

South Volo



Site Plan for Lancaster Falls

Proposed Commercial Development



Site Plan for the Shoppes at Volo



TIF Process

TIF Process

- Convene introductory meeting prior to formal submission of TIF or Special Service Area (SSA) application
- Submission and review of TIF/SSA application
- Prepare and negotiate term sheet
- Draft and negotiate redevelopment agreement
- Present redevelopment agreement to village board
- Execute redevelopment agreement
- Implement project/payout funds

General Project Information

- Summary Letter
- Project Narrative
- Site Maps

Detailed Project Information

- List of PINs
- Renderings of project
- Project timeline
- Public benefits
- Demonstration of need
- Evidence of site control

Project Financial Information

- Sources and uses of funds
- Development budget
- Request for TIF assistance
- Budget of TIF eligible expenses
- Pro forma income and expense schedule
- Analysis of financial need

Project Financial Information

- TIF performance measures
 - TIF assistance as percentage of total project costs
 - TIF assistance as percentage of increment generated by project
 - Ratio of public (TIF) to private investment
 - TIF assistance per FTE job created
 - TIF assistance per FTE job retained
- Increment projections
- Financial commitments
- Most recent property tax bills
- Appeal of property taxes

Developer Information

- Ownership structure
- Financial statements
- Resumes and experience of principals
- Economic disclosure statement



Speaker Biography Gregory Hummel

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Gregory Hummel

- Gregory W. Hummel is a partner of Bell, Boyd & Lloyd LLP in the firm's Real Estate Department. Since the late 1980s, his practice has been principally concentrated in public/private partnership matters, including:
 - Infrastructure and other public improvement special district financings (as bond counsel or underwriter's counsel)
 - Economic development and redevelopment tax increment financings (project and bond counsel)
 - Energy, solid waste and other project financings (bond, host government or project sponsor counsel)
 - Incentives for large and small businesses including, tax credits, labor training and other grants, tax increment financing and tax abatements (incentive counsel)
- Prior to concentrating on public/private partnership

Gregory Hummel

- positions of Chairman of the Public/Private Partnership Council of the Urban Land Institute; Chairman of the Urban Land Institute Chicago District Council; Co-Chair of the International Bar Association Committee T on International Construction Projects; and President of the American College of Construction Lawyers. He is a member of the Economic Club of Chicago.
- He is active in civic and charitable affairs including service as a member of the Board of Trustees of Lutheran General Hospital – Advocate Health Care System; Trustee, MacMurray College; and General Counsel, ChildServ and Homes for Children Foundation.
- Mr. Hummel received his B.A. cum laude from MacMurray College and his J.D. from Northwestern University School of Law, where he was an editor of the Journal of Criminal Law and Criminology.



TIF Application Forms - Attached

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