

DATE: April 23, 2009

TO: Robin Broman
Department of Community Development, City of Chicago

FROM: S. B. Friedman & Company

RE: Proposed East Loop TIF

S. B. Friedman & Company is conducting an eligibility study for the designation of a tax increment financing (TIF) district in Chicago's East Loop. After conducting field visits to the area and collecting information from various property owners and building managers, S. B. Friedman & Company developed a preliminary boundary that was presented to staff in the Department of Community Development in March 2009.

PROPOSED BOUNDARY OF EAST LOOP TIF

The proposed East Loop TIF is generally bounded by Wacker Drive on the north, portions of Columbus and Stetson on the east, portions of Randolph Street and Lake Street on the south, and Wabash on the west. The proposed district consists of 60 tax parcels and 34 buildings. The area is primarily composed of commercial office buildings with ground floor retail space. No residential uses are found in the proposed TIF. The sole public or institutional use is the Harold Washington College, located on the western edge of the proposed district.

The proposed East Loop TIF includes the following notable properties:

- Michigan Plaza (205 and 225 North Michigan Avenue);
- One Illinois Center (111 East Wacker Drive);
- Two Illinois Center (211 North Michigan Avenue);
- One and Two Prudential Plaza (130 East Randolph Street and 180 North Stetson Avenue);
- Aon Center (200 East Randolph Street);
- Jewelers Building (35 East Wacker Drive);
- London Guarantee Building (360 North Michigan Avenue);
- Wacker Tower (68 East Wacker Place);
- Harold Washington College (30 East Lake Street); and
- Old Republic Building (307 North Michigan Avenue).

The proposed district includes a number of properties which were formerly part of the Central Loop TIF. However, all properties which received TIF assistance from the Central Loop TIF

have been excluded. The proposed boundary can be found on the map immediately following this memorandum.

TIF ELIGIBILITY AND THE NEED FOR REDEVELOPMENT

The proposed East Loop TIF faces a number of challenges. The area west of Michigan Avenue includes a number of older, Class C office buildings. Many of these properties have antiquated mechanical systems and irregular floorplates that are not attractive to modern office users. Class A office buildings east of Michigan Avenue also face economic challenges, as many Loop employers increasingly prefer office buildings that are closer to Union Station and Ogilvie Transportation Center in the West Loop. In addition, the unique public infrastructure east of Michigan Avenue reduces the connectivity of this area to the rest of the Loop, resulting in a less attractive environment for pedestrians and office tenants. Without significant investment to upgrade properties in this area, improve public infrastructure and convert buildings to other uses, it is likely that properties will experience increasing vacancy rates, decreasing rents and deferred maintenance.

S. B. Friedman & Company has determined that the area would qualify for designation as a conservation area TIF. *S. B. Friedman & Company's* analysis has determined that the following eligibility factors are currently present:

- **Lack of Growth in Equalized Assessed Value.** The equalized assessed value of property in the proposed East Loop TIF district has grown at a rate that is lower than the balance of the City of Chicago during three of the last five years. .
- **Deterioration.** 80 percent of parcels in the proposed TIF exhibited some form of deterioration. In particular, portions of Lower Wacker Drive and adjacent underground right-of-ways were in a visible state of disrepair.
- **Obsolescence.** The Illinois TIF Statute defines obsolescence as “the condition or process of falling into disuse...structures have become ill-suited for the original use.” Persistently excessively vacant buildings were considered to exhibit obsolescence, as well as “Class C” buildings.
- **Inadequate Utilities.** 62 percent of the buildings located in the proposed TIF are served by water or sewer infrastructure that is more than 100 years old. The Department of Water considers sewer or water infrastructure more than 100 years old hydraulically inadequate.

Several factors were also found to a minor extent. These include:

- **Excessive Vacancies.** 41 percent of buildings located in the proposed boundary were found to be excessively vacant.

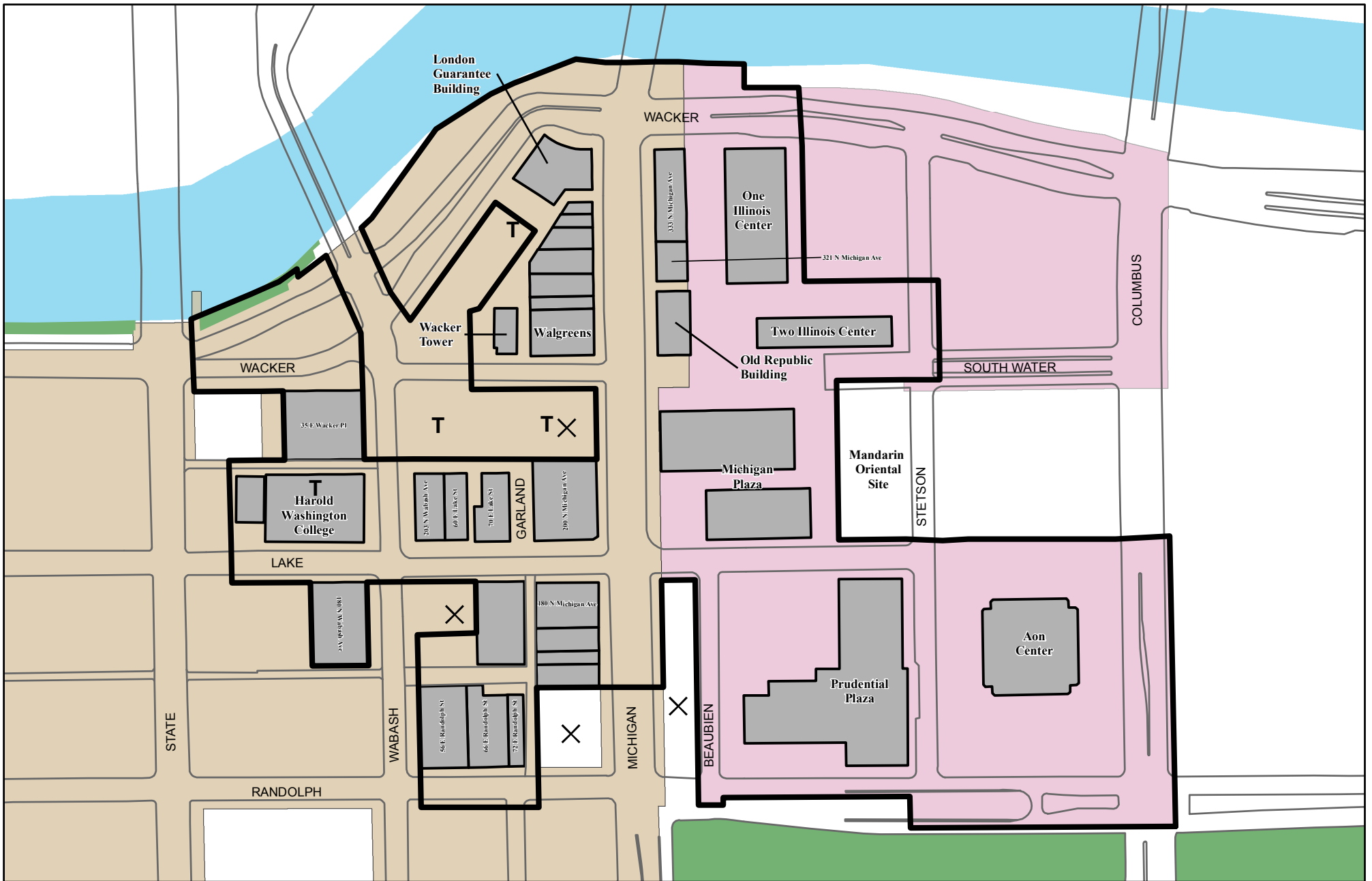
- **Presence of Structures Below Minimum Code Standards.** A number of buildings in the proposed district had outstanding municipal building code violations or had not yet complied with the requirements of the Life Safety and High-Rise Sprinkler Ordinance.

GOALS AND OBJECTIVES FOR PROPOSED EAST LOOP TIF DISTRICT

The overall goal in the designation of the East Loop TIF is to reduce or eliminate the conditions that qualify these properties as a conservation area. This goal is to be achieved through an integrated and comprehensive strategy that leverages public resources to stimulate private investment in rehabilitation of existing structures and new development. Eliminating these potentially blighting conditions and facilitating development within the district will facilitate reestablishment of the area as a cohesive and vibrant mixed-use area that provides a broad range of office, retail, and other commercial uses appropriate for this area, while accommodating public and institutional uses where appropriate. The designation of this area as a TIF district is also an important step in the implementation of the Urban Land Institute's Technical Assistance Panel for the North Michigan Avenue area. The TAP, conducted in February 2008, called for a better connectivity between the area north of the Chicago River along North Michigan Avenue and Millennium Park. Properties in the East Loop TIF are also in need of financial assistance to continue as viable office properties serving the eastern portion of Chicago's Central Business District.

NEXT STEPS

S. B. Friedman & Company is currently analyzing its findings and drafting an eligibility study and redevelopment plan for the proposed district.



East Loop TIF - Boundary Option 2

Legend

- Proposed East Loop TIF Study Area (38.6 Acres)
- Original Proposed Study Area
- Buildings in Study Area
- X Recent investment / Not eligible
- Central Loop TIF
- T Received TIF investment

