

## **To understand the investment in public infrastructure at Lincoln Yards, it's important to understand how TIFs work. Below, our team at Sterling Bay answers some frequently asked questions about the Cortland-Chicago River TIF district.**

### **How will Lincoln Yards benefit Chicago?**

Lincoln Yards will improve a vast parcel of underutilized land to benefit residents, businesses and visitors, including connecting Chicagoans to more than 50 acres of riverfront sitting between two of the city's most iconic neighborhoods: Lincoln Park and Bucktown. The project involves serious upgrades to public infrastructure, including three new bridges, a reconfigured Elston/Armitage/Ashland intersection, and improved roads, viaducts, and sea walls. In addition, the developers will build parks, upgrade streets, and invest in the Riverwalk. Once complete, Lincoln Yards is expected to generate more than \$4 billion in total annual economic output.

### **What is a TIF district?**

TIF districts involve "tax increment financing." TIF districts are typically created when a municipality seeks to upgrade public infrastructure – such as parks, roads, and bridges – in an area where existing tax revenues cannot cover the costs of the improvements.

In creating a TIF district, a municipality typically acts on the basis that: if private developers are willing to invest in improving public infrastructure as part of a larger development plan, the value of all property in the area will increase in the future, which will mean that tax revenue in the area will increase in the future. The municipality therefore commits the future, incrementally higher tax revenues in the TIF district to repay private developers for their investments to improve public infrastructure now.

### **How many TIF districts are in Chicago?**

There are 143 TIF districts in the City of Chicago.

### **Why is Lincoln Yards part of a TIF district?**

The City of Chicago is requiring that development of Lincoln Yards include serious upgrades to public infrastructure, including three new bridges, a reconfigured Elston/Armitage/Ashland intersection, and improved roads, viaducts, and sea walls. As public infrastructure, by definition the bridges, road, and park are owned entirely by the City of Chicago, and the City is responsible for the cost of their upkeep and maintenance.

However, the City cannot fund these costs due to budget constraints. Sterling Bay and its partners have agreed to fund these improvements now as part of the overall development of Lincoln Yards. By creating the TIF district, the City will commit the increased tax revenue resulting from Lincoln Yards to reimburse Sterling Bay and its partners in future years for the money they are investing now in public infrastructure.

Sterling Bay and its partners will not receive any funds from existing tax dollars, nor from any property owners outside of the TIF district. The funds required to reimburse Sterling Bay and its partners for their investment in public infrastructure will be generated over the course of a decade by the increased economic activity that takes place within the proposed TIF district.

**When did the City of Chicago approve the TIF district covering the Lincoln Yards project?**

The City provided final approval for the TIF district that includes the Lincoln Yards project on April 19, 2019.

**How long will the TIF district for Lincoln Yards exist?**

The district is slated to exist for about 23 years.

**Will the TIF district for Lincoln Yards levy taxes on Chicago residents and businesses?**

Right now, very few people or businesses encompassed by the TIF district for Lincoln Yards pay property taxes. As the area is developed over time, Sterling Bay, its partners, and the City believe that economic activity in the district will increase as businesses move in and city residents and businesses benefit from the improvements to the bridges, roads, sea walls, and parks.

The entire City will see immediate revenue and benefits from the new development. The City stands to collect more than \$50 million in industrial corridor conversion fees from the Lincoln Yards developers. These payments will be invested in the other 25 industrial corridors throughout the City.

Additionally, the City stands to collect tens of millions of dollars in sales taxes, income taxes from construction and permanent workers, licensing and permit fees, business taxes and other City fees, all of which will go to the City's general reserve to fund critical public services in other Chicago neighborhoods.

Once complete, Lincoln Yards will generate over \$4 billion in total annual economic output.

**Will taxes go up on existing residents to pay for the TIF district?**

Only the property owners located within the TIF district pay into the TIF, and because Sterling Bay and its partners own most of the property within the TIF district, they will pay most of the increased property taxes.

**What will tax revenue from the TIF district for Lincoln Yards pay for?**

The TIF dollars will be dedicated to public infrastructure costs and will not be used to reimburse private development costs. The anticipated TIF district dollars will be used exclusively to reimburse Sterling Bay and its partners for their investment now in TIF-eligible public infrastructure projects at Lincoln Yards – including three new bridges, a reconfigured Elston/Armitage/Ashland intersection, and improved roads, viaducts, and sea walls.

Under the terms of the agreement between Sterling Bay, its partners, and the City, upon completion of these projects and their cost reimbursement through the TIF, this infrastructure will be deeded to the City.

**What will tax revenue from the TIF district for Lincoln Yards *not* pay for?**

Sterling Bay and its partners will invest approximately \$230 million of their own money – which will not be reimbursed by the TIF – on additional projects typically funded by the City of Chicago, including parks, Riverwalk, new streets and other infrastructure.

**How much money are Sterling Bay and its partners investing in Lincoln Yards in total?**

Approximately \$1 billion.

**How much money is the City of Chicago investing in Lincoln Yards?**

The City is not investing any money in Lincoln Yards.

**How many jobs will Lincoln Yards deliver to M/WBE firms in the City of Chicago?**

The TIF designation brings a myriad of benefits to the City of Chicago, including a requirement that 30 percent of the project's work be given to minority-owned businesses and 10 percent to women-owned businesses. This will result in 10,000 full-time equivalent construction jobs over the course of development.

**How will investment in affordable housing work as part of the Lincoln Yards project?**

Sterling Bay and its partners are committed to ensuring that the Lincoln Yards projects meets the requirements of The Affordable Requirements Ordinance (ARO).

TIF funds will not be used to provide affordable housing, whether off-site, on-site or fee in lieu as TIF dollars may be invested only in public infrastructure.

The ARO allows for all but 2.5% of the 20% ARO requirement to be provided through payment of a fee – and Sterling Bay and its partners are exceeding the ARO by fulfilling 10% of the 20% ARO requirement on-site, among the largest single addition of units in the history of the program.

Up to another 5% of the ARO requirement will be fulfilled through local partnerships to build affordable units within 3 miles of the project, targeting areas experiencing housing pressure.

**When will Sterling Bay and its partners be reimbursed from tax revenue from the TIF district for Lincoln Yards?**

Sterling Bay and its partners will be reimbursed from tax revenue from the TIF district only when the City can verify that tax revenue in the district has indeed increased according to the requirements of the TIF district ordinance.

**If the project fails or Sterling Bay goes out of business, who will be on the hook for all the investments in public infrastructure?**

Sterling Bay and its partners bear the risk for the costs of the Lincoln Yards project – as well as the related public infrastructure projects – in the event that the project fails or Sterling Bay goes out of business. Sterling Bay and its partners must invest the funds up-front to construct the public infrastructure to support Lincoln Yards. Once these projects are completed and delivered to the City, Sterling Bay can request reimbursement for the costs of the projects through the Redevelopment Agreement that governs the TIF. The City will

review the expenditures to determine if they were allowed under the agreement, and Sterling Bay will only be reimbursed if the City determines that the completed work complies with the agreement.