

CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

Carole Morey, Chicago Transit Authority
June 26, 2018

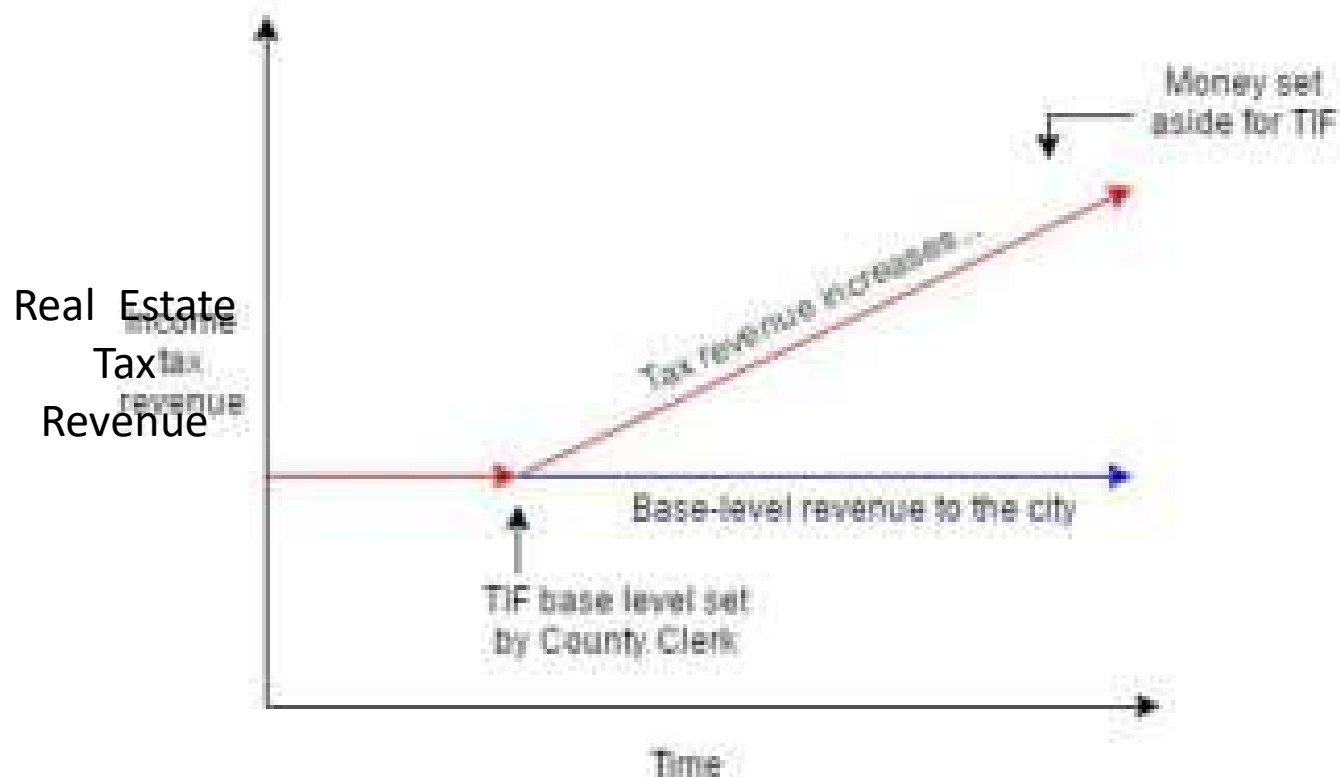


TRADITIONAL TAX INCREMENT FINANCING IN ILLINOIS

- **Illinois Tax Increment Allocation Development Act passed in 1977**
- **TIF designation requires “blight,” including dilapidation, deterioration, obsolescence, having structures below minimum building code and declining assessed value**
- **23-year term with possibility for 12-year extension by state legislation action**
- **Municipal government authorizes and adopts redevelopment plan for TIF district**



AFTER BASE VALUE IS SET BY THE COUNTY CLERK'S OFFICE, ALL FUTURE INCREASES IN REVENUE ARE SET ASIDE FOR TIF INVESTMENT WHILE THE BASE VALUE CONTINUES TO ACCRUE TO TAXING BODIES



TAX INCREMENT FINANCING IN ILLINOIS

- **Through 2016, 514 municipalities had created 1,397 TIFs in the state**
- **Average TIF project in Illinois produced \$4 of private investment for every \$1 of tax increment invested***
- **As of March 2017, there were 146 TIF districts in the City of Chicago and one in five Chicago properties is part of a TIF zone, down from 163 TIF districts in August, 2011**

***Source: Tax Increment Financing: Learning from Research and Municipal Best Practice, Illinois Municipal Policy Journal, 2017, Vol. 2, No. 1, 135-145, Illinois Municipal League**



TAX INCREMENT FINANCING IN ILLINOIS

- **August of 2011, Mayor Rahm Emanuel announced changes to allocation of TIF funding to focus on long-term economic development and job creation**
- **TIF Task Force created to subject all TIF projects to strict performance metrics and to ensure that metrics are met.**
- **Increased focus on use of TIF funds for transit and transportation investments.**
- **\$61 Million of TIF funds committed to CTA projects since 2011. Additional funds committed to new CTA rail stations constructed by CDOT**



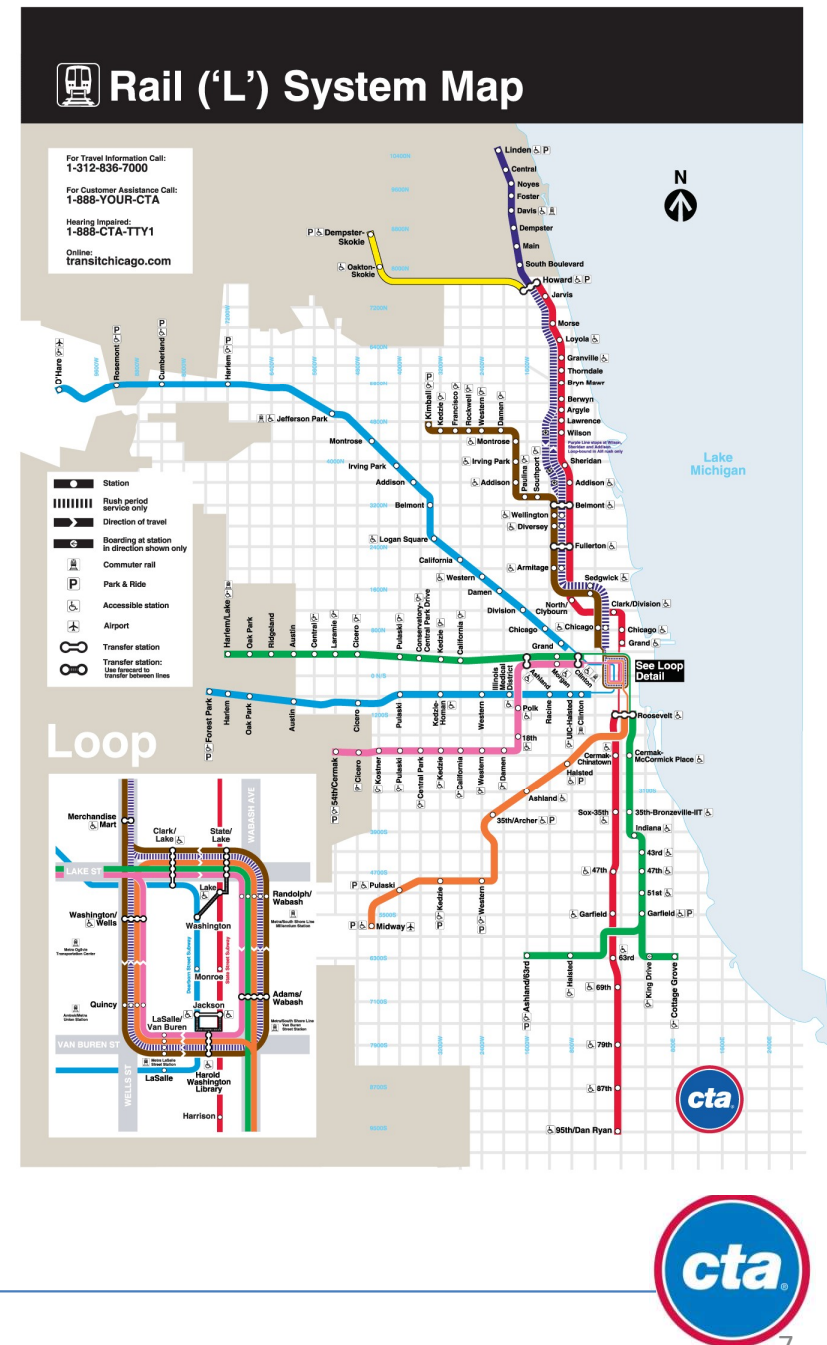
CHICAGO TRANSIT AUTHORITY

- **Created in 1947**
- **Serves Chicago and 35 nearby suburbs**
- **Carries 1.6 million trips on an average weekday**
 - Approximately 830,000 bus and 770,000 rail
- **Rail System**
 - 8 Lines
 - 145 Rail Stations
 - 224 Miles of Track
 - 1400 Railcars
- **Bus System**
 - 1,885 buses
 - 129 routes



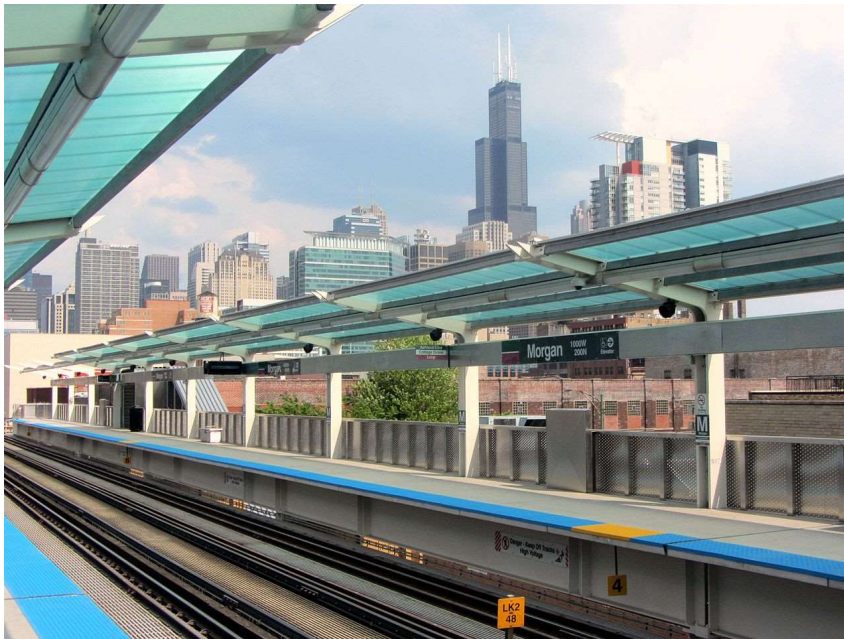
GROWING RAIL RIDERSHIP

- While rail ridership is down 4.5% since the 2015 all-time high of 241.6 Million trips, rail ridership continues to grow during peak periods.
- Our fastest growing lines have capacity constraints and include some of CTA's oldest infrastructure.
- The Red, Blue and Brown Lines carry over 60% of all CTA rail riders.
- TIF investments have focused on rail system.



Morgan Station – West Loop - \$35 Million TIF

\$2 Billion of investment since 2012 within a ½ mile of the station based on building permit activity



Cermak-McCormick Station – South Loop - \$50 Million TIF

\$638 Million of investment since 2015 within a ½ mile of the station based on building permit activity



QUINCY STATION - \$18 MILLION



Illinois Medical District (IMD) - \$27 Million

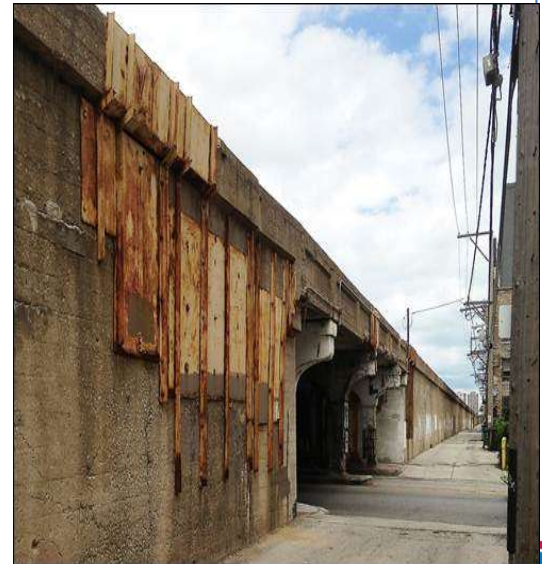


RPM PROJECT: NEED

- **CTA's Red Line carries 30% of its rail passengers. The North portion, which carries 125,000 riders on an average weekday was constructed in 1920.**
- **Red Line trains continue to operate safely on the embankment, but it cannot be maintained indefinitely**
- **\$10 Million traditional TIF committed to project.**
- **Aging signal system dating back to the 1970s**
- **Largest gap in vertical accessibility on the Red Line**
 - **Only 5 of 14 stations are accessible**



(Above right) Crumbling viaduct at Hollywood Ave. between Bryn Mawr and Thorndale Stations



(Right) Crumbling retaining wall near Bryn Mawr Station



RPM PROJECT: NEED

➤ **Growing ridership demand**

- Peak load points at stations north of central business district where boarding a rush hour train can be difficult and riders often have to wait for the next train
- Over-crowding impacts riders throughout the Red Line – longer boarding times cause delays and affect reliability
- 40 percent growth in peak-hour ridership over past five years
- Busiest stretch of CTA rail system
- Existing infrastructure can't accommodate more trains



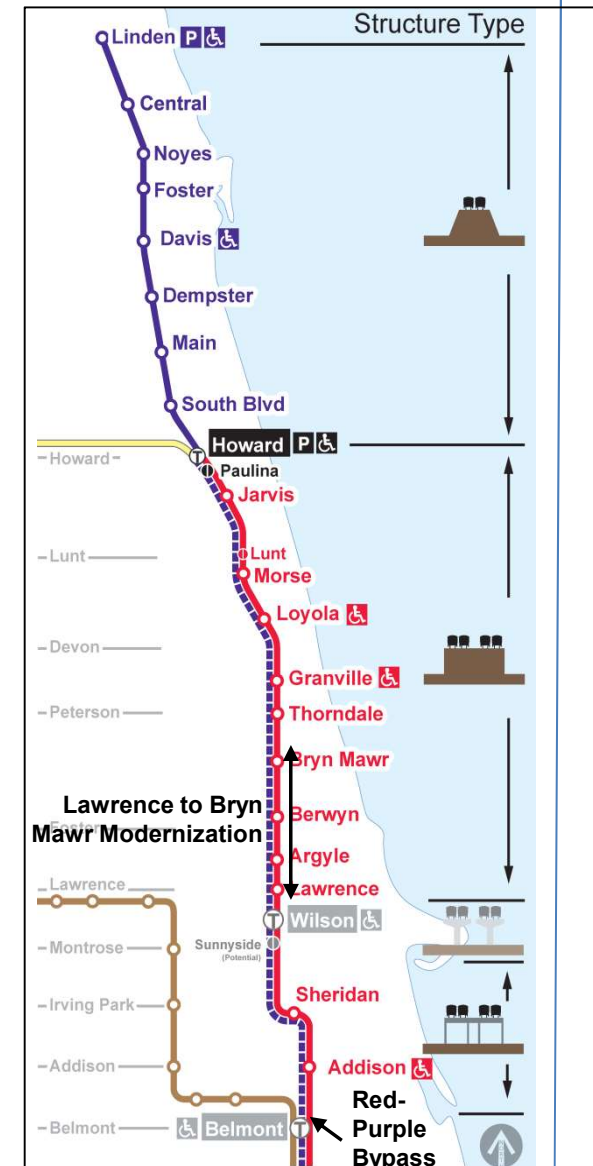
RPM PROJECT: SOLUTION

- **As part of the federal transportation bill in 2012 (MAP-21), Congress created a new program under the New Starts Capital Investments Program (CIP)**
- **Up to that point, New Starts had been used to pay for new lines and line extensions.**
- **The new Core Capacity program, proposed by Illinois Senator, Dick Durbin, allowed use of CIP funding for modernization of older systems where projects added 10% of additional capacity as part of the modernization**



RPM PHASE ONE

- **Red-Purple Bypass Project**
 - Almost 150,000 rides every weekday through Clark Junction
 - Current bottleneck precludes CTA from adding trains
 - Bypass allows CTA to run up to **15 more trains per hour on the Red, Purple and Brown Lines**; 6 to 8 more trains per hour on the Red Line alone
- **Corridor Signal Improvements**
 - Increased reliability and safety
 - Allows more frequent service
- **Lawrence to Bryn Mawr Modernization Project**
 - Replace 1.3 miles of 90-year-old track/embankment
 - Rebuild four stations to make them ADA accessible
- **Future phases of RPM include stations and structure from just north of the Red Purple Bypass to Wilson (including Sheridan) and the northern end of the line from Hollywood to Linden (in Wilmette)**



BROWN LINE CAPACITY EXPANSION POST DEVELOPMENT EXPERIENCE

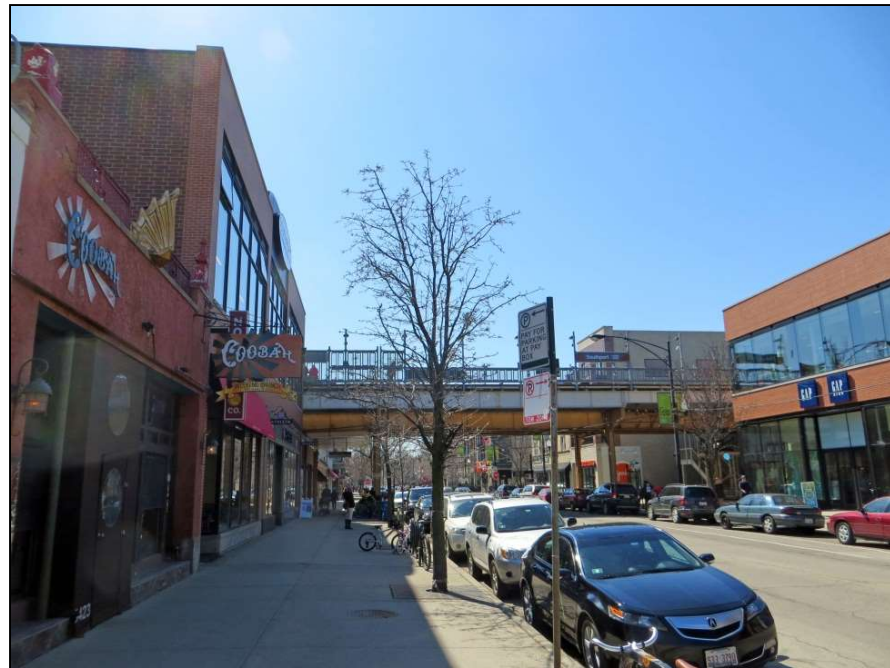


The Brown Line Capacity Expansion Project

- Constructed from 2006-2009
- \$530 million investment
- Lengthened platforms to accommodate 8-car trains
- Reconstructed 16 stations and added ADA access



**Before
(2002)**

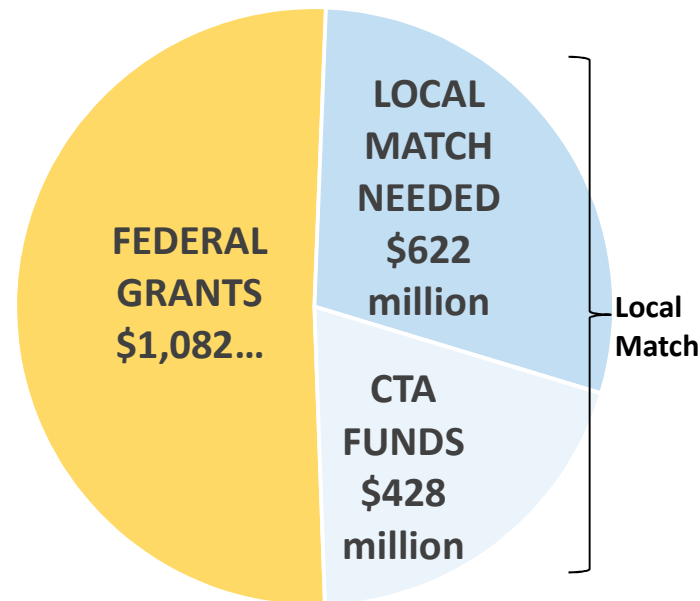


**After
(2014)**



NEED FOR LOCAL MATCH FOR \$1.1 BILLION IN FEDERAL FUNDS

- Approximately \$2.1 billion total cost (including a portion of the finance costs) for RPM Phase One
- Needed local match to secure \$1.1 billion in federal grants
- Transit TIF bill originally introduced to state legislature in Spring 2015 but did not advance beyond committee



TRANSIT TIF FOR RPM NEED

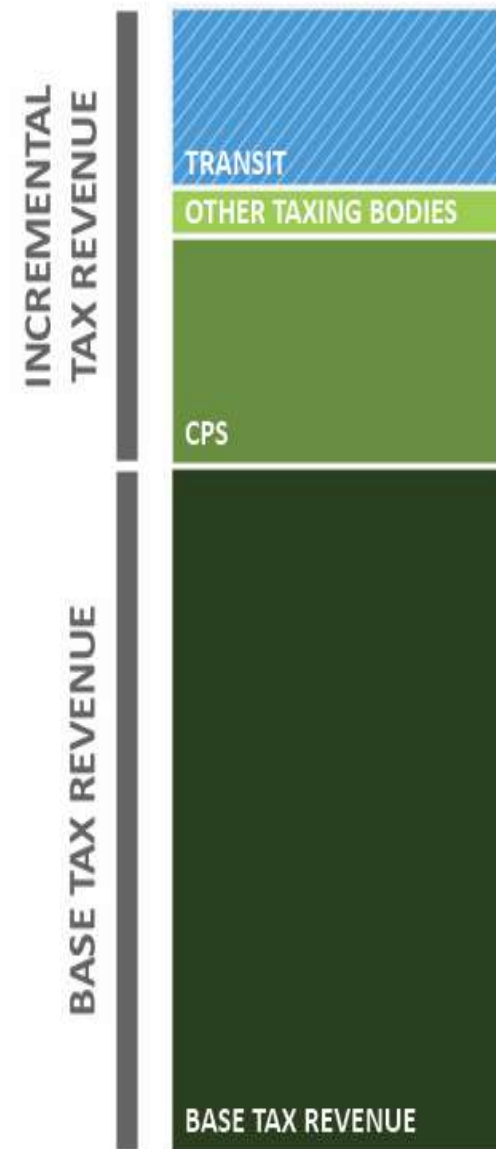
- **CTA was at the head of the line for receipt of a competitive FTA grant under the Core Capacity program for the RPM project**
- **In order to secure the grant, CTA needed an additional \$622 Million in local matching funds**
- **Failure to secure the grant at that point could allow other agencies to move ahead of CTA**
- **Transit TIF enabling legislation passed the Illinois state legislature June 2016 and was signed by the Governor in August 2016.**
- **Legislation allowed Transit TIF for four specific identified projects**



How Does A TRANSIT TIF WORK?

➤ **The Transit TIF is a traditional TIF with several key differences:**

- The use is restricted to specific transit facilities
- The boundaries can extend only up to a half-mile from specific transit facilities
- The term is up to 35 years
- The increment is divided between the various taxing bodies and the Transit TIF
- Chicago Public Schools receives its proportional share of the TIF revenue first
- Of the remaining TIF revenue:
 - All other taxing bodies share 20% of the remaining TIF revenue
 - The Transit TIF receives 80% of the remaining TIF revenue



PROPOSED BOUNDARY: RPM PHASE ONE PROJECT TRANSIT TIF DISTRICT

- RPM Phase One TIF boundaries set based on revenue needed for local match
- Boundaries could have extended further south into central business district
- No larger than:
 - Devon Avenue on north
 - North Avenue on south
 - ½ mile east and west of Red and Purple lines
- Excludes all existing TIF districts
- Passed unanimously by Chicago City Council in November 2016.

Legend

- Limits of Proposed RPM Phase One Redevelopment Project Area Boundary
- Existing TIF Districts
- CTA Red/Purple Line
- CTA Red Line
- CTA Purple Line
- CTA Red/Purple Line

0 0.5 Mile



TRANSIT TIF – USE OF PROCEEDS

- **Transit TIF revenue will be used to pay for \$622 Million of the CTA's share of RPM Phase One, specifically \$622 Million in debt financing.**
- **Debt financing likely to be TIFIA loan – federal loan program for transportation projects with low interest rates, but could also be CTA-issued bonds.**
- **TIFIA loan will be secured by farebox revenues. In the event bonds are issued, the bonds will be secured by sales tax revenues which are part of CTA's existing operating funding.**



TRANSIT TIF – USE OF PROCEEDS

- **CTA will use revenues from Transit TIF to repay TIFIA loan or bonds.**
- **CTA is responsible if Transit TIF revenues are insufficient to cover debt service**
- **Once the CTA debt financing is repaid, the TIF may be terminated by City Council prior to the 35th year**
- **If TIF revenues are generated as projected, the CTA debt financing will be fully repaid by 2033**
- **Called “The good TIF” by the Chicago Tribune**

