



# New Ideas for Financing Game-Changing Infrastructure

Stephen B. Friedman, AICP, CRE  
Metropolitan Mayors Caucus, October 18, 2010

# Infrastructure is Critical for a Growing Region

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## Scale

- ▶ 1.49 million people to be added between 2009 and 2030
- ▶ About the size of Metropolitan Milwaukee
- ▶ 60,000+ people per year (7<sup>th</sup> greatest nationally)
- ▶ Where will we put them to provide:
  - ▶ Sustainability
  - ▶ Efficiency
  - ▶ Opportunity
  - ▶ Competitiveness

## The Problems

- ▶ Cannot do only infill:
  - ▶ 300,000 to 1,000,000
  - ▶ Shouldn't do what we have been doing
- ▶ Housing / Jobs mismatch
- ▶ Time lost to travel
- ▶ Limited access to opportunity
- ▶ Transportation energy use / inefficiency
- ▶ Limited experience of “place”
- ▶ Freight congestion

# Urban Land Institute Chicago District Council ( ULI Chicago)

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- ▶ Infrastructure Task Force
  - ▶ Chair – Greg Hummel
  - ▶ Vice Chair – Steve Friedman
- ▶ 40 plus developers and development professionals
- ▶ Three sub-committees
  - ▶ Lakefront Heritage Corridor from South Works to Gary Works
  - ▶ Suburban
  - ▶ Finance
- ▶ A “Work-in-Process”
- ▶ Preliminary recommendations under discussion and refinement

# Criteria for Game Changers

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*Infrastructure Should Enhance Global Competitiveness, Support Positive Development Patterns in the Region and Communities, and Support Enhanced Opportunity*

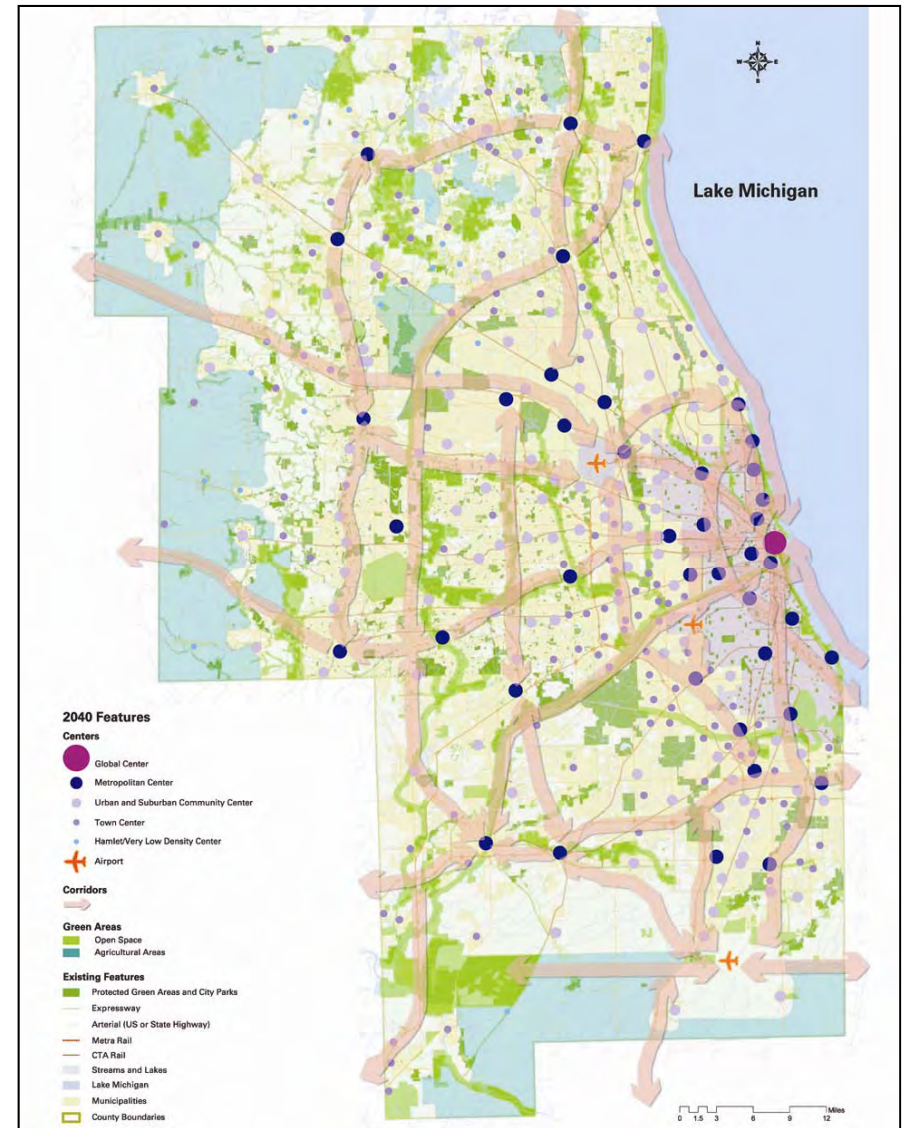
*ULI District Council Task Force-- Projects Assessed in Terms of:*

- ▶ Competitiveness
- ▶ Opportunity
- ▶ Sustainability of Areas / Region
- ▶ Financial Feasibility
- ▶ Political Support

# Corridors and Nodes Support Criteria

## Regional Focus on Major Centers and Corridors- One Strategy

- ▶ Multi-Use / Higher Density
- ▶ Mixed-Housing Type and Mixed Income
- ▶ Multi-Modal
- ▶ Labor Market Transit
- ▶ Concentrate Major Infrastructure
- ▶ Sub-Centralize Key Institutions
  - ▶ Education
  - ▶ Health



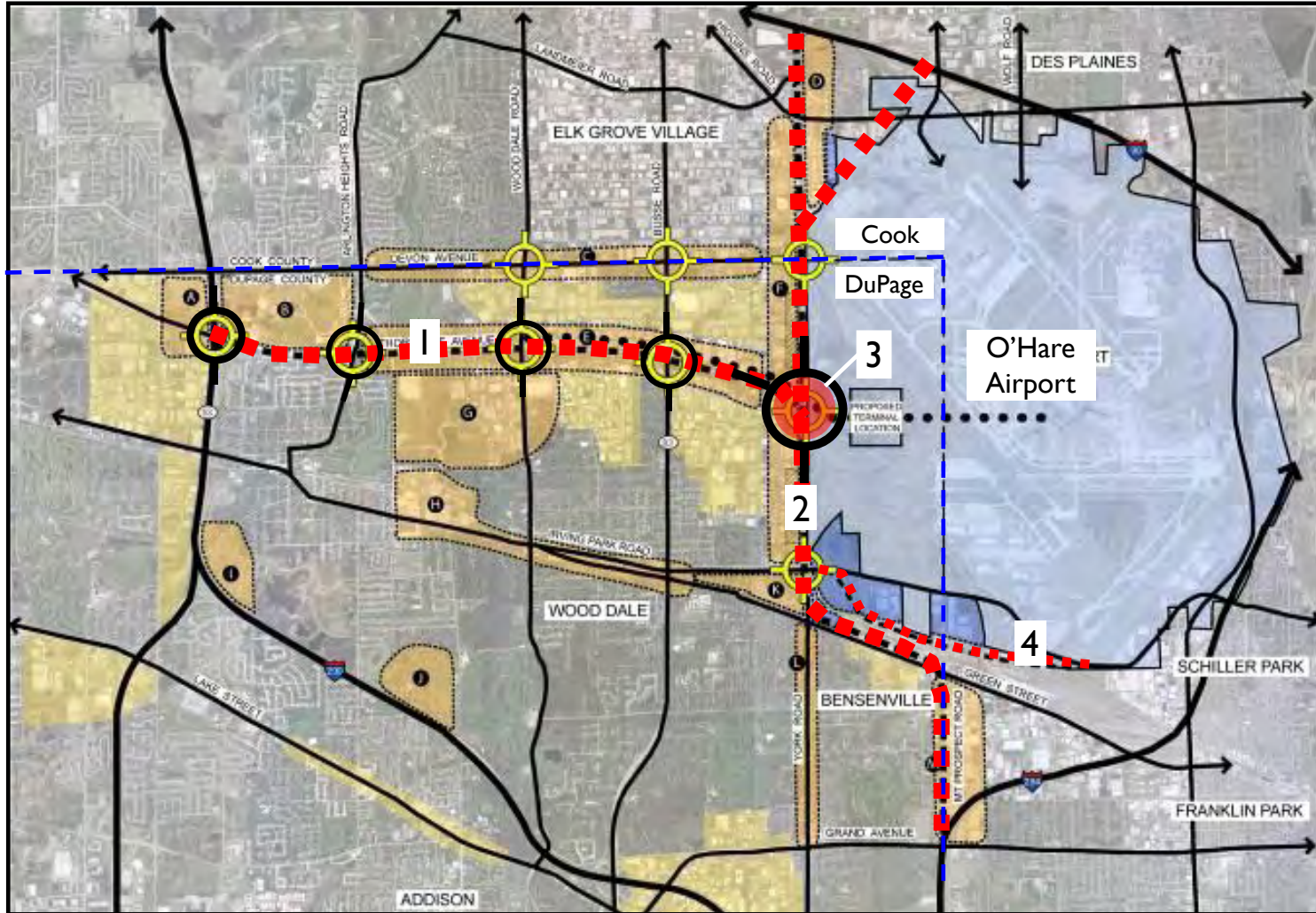
# Game-Changing Infrastructure

- ▶ O'Hare Modernization Plan and Related Roadway Improvements
- ▶ New Transit Hub at O'Hare
- ▶ High-Speed Rail Network
- ▶ CREATE and CN Rail Freight
- ▶ IL 53/I20
- ▶ Lake County Water
- ▶ Inland Port, Will County
- ▶ Southeast Service
- ▶ I-57/I-294 Interchange
- ▶ Longer Term:
  - ▶ Peotone Airport
  - ▶ Illiana Expressway
  - ▶ Joliet Intermodal / High-Speed Rail

## What Are Your Game Changers?



# O'Hare Modernization Plan and Related Roadway Improvements



1. Elgin O'Hare Expressway
2. Western Bypass
3. Western Access
4. IL 19 Improvements





# CREATE and CN Rail Freight

- ▶ Chicago is in danger of becoming a bottleneck in the nation's transportation system, and that would have serious consequences — not just for this city, but for the entire nation."

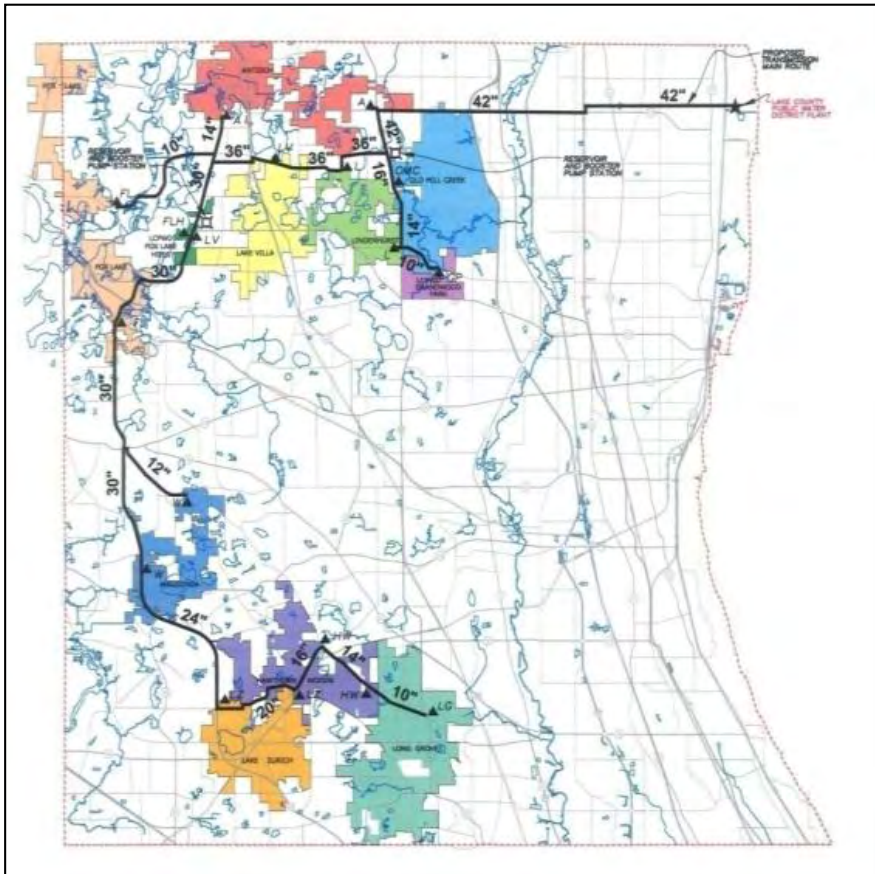
- Chicago Mayor Richard M. Daley



**CREATE Awarded \$100 Million in Recovery Funds**



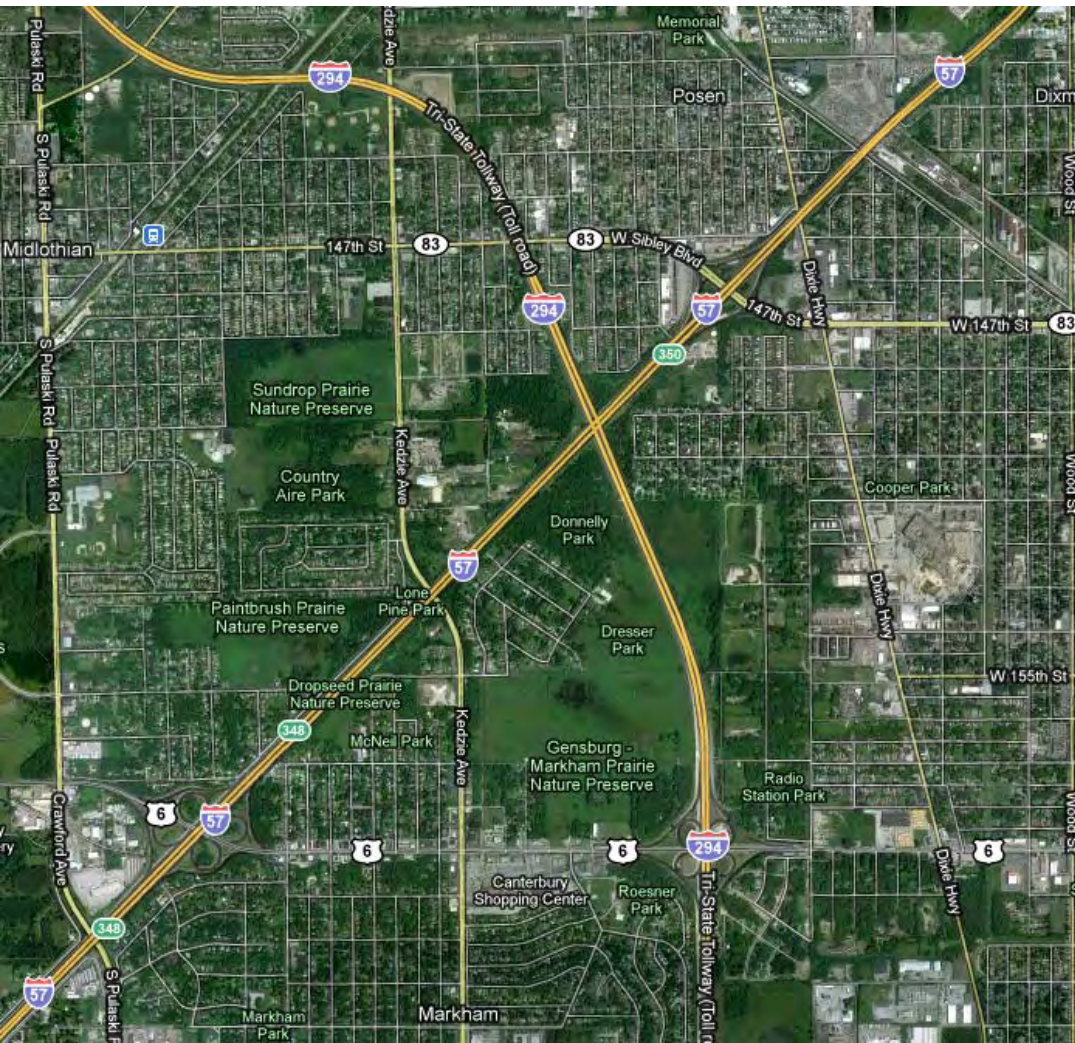
# Lake Michigan Water to Inland Suburbs



- ▶ Opportunity to protect aquifer / supply for McHenry Co.
- ▶ Supports more compact / denser growth pattern
- ▶ Opportunity to improve community development quality



# I-57/I-294 Interchange



- ▶ Only location where interstates cross without interchange
- ▶ Traffic forced to use alternate routes to connect between expressways



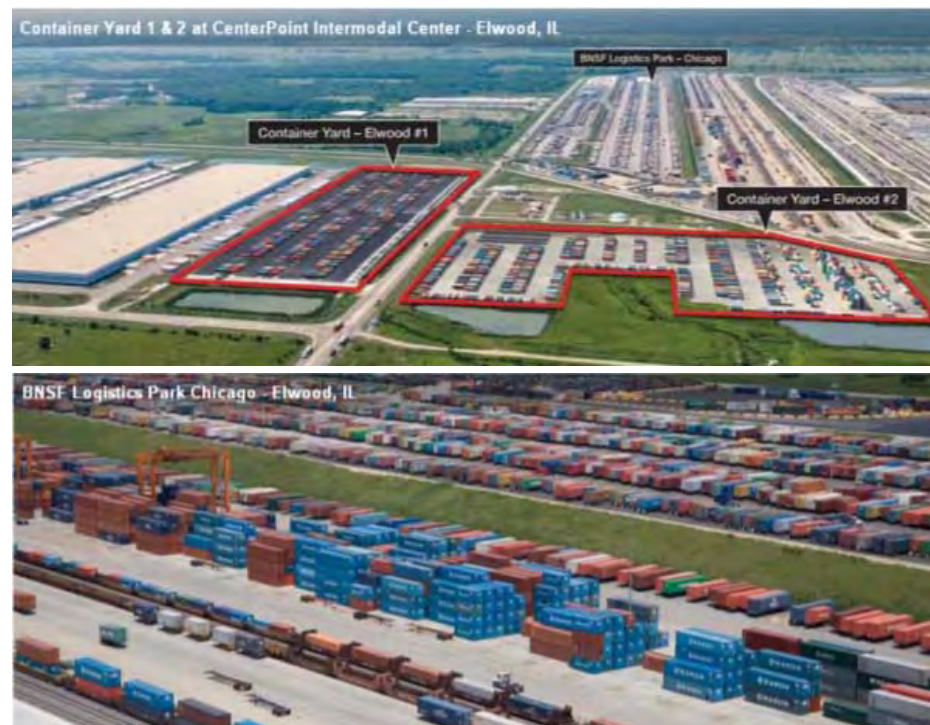
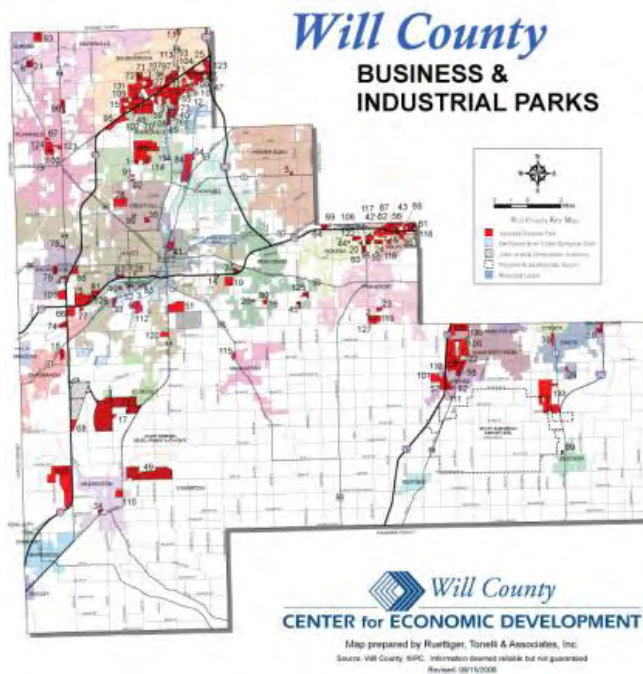
# Southeast Service



- ▶ Proposed 33-mile commuter rail line connecting southeast suburbs to downtown
- ▶ To run along UP / CSX ROW from LaSalle St. Station to Balmoral Park

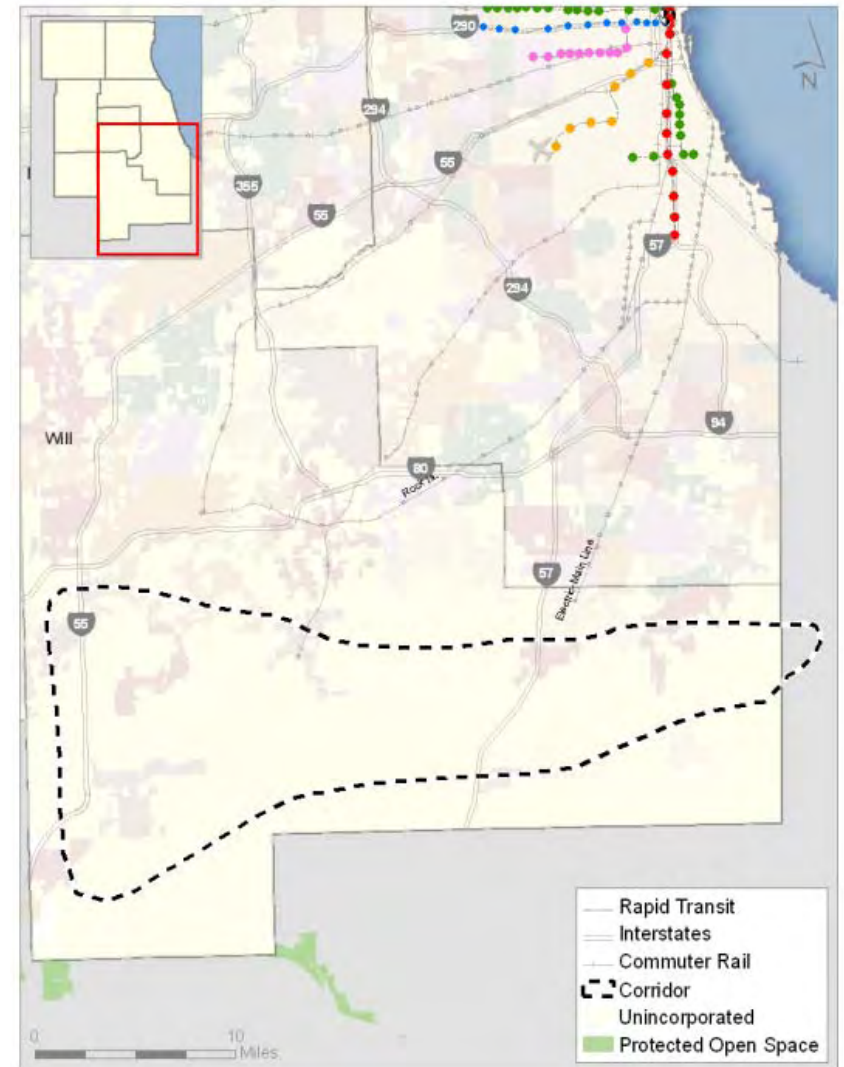
# Inland Port, Will County

- ▶ Potential Peotone Airport and Illiana Expressway will also impact Will County's inland port
- ▶ Explosive Industrial Growth: Over 40 million SF in 10 years



# Illiana Expressway / Inland Port

- ▶ New expressway connecting I-57 in Illinois with I-65 in Indiana
- ▶ Probable extension to I-55 to serve inland port
- ▶ Connect to intermodal facilities and integrate with Peotone Airport
- ▶ Study of public-private partnership (PPP) potential
- ▶ Govs. Quinn & Daniels signed MOU on 6/9/10 expressing commitment to project



# Peotone Airport

- ▶ Inaugural facilities to include a 9500' runway with full parallel taxiway and terminal with 4 to 12 gates
- ▶ 8% of domestic and 6% of international air freight tonnage of Chicago market by 2030
- ▶ Land acquisition underway – about 5,000 acres acquired
- ▶ State working on airport layout plan, EIS is next
- ▶ 4 municipalities land use / tax sharing
- ▶ Centerpoint acquisition for Crete Intermodal
- ▶ Possible freight / private sector trigger
- ▶ Longer term – role in multi-airport system

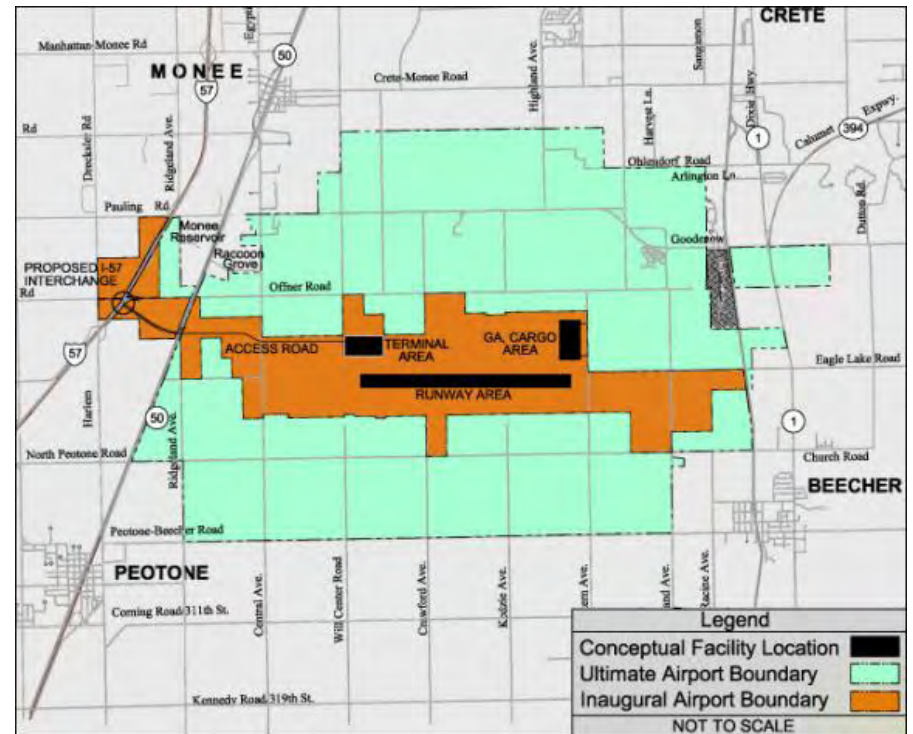


Image Source: IDOT

# Joliet – Major Regional Center

- ▶ Only old satellite city with rail and expressway downtown
- ▶ I-355 to I-80 was game changer
- ▶ Two commuter lines' hub  $\frac{3}{4}$  mile from I-80 Chicago Street
- ▶ Other rail webbed through (E J & E and others)
- ▶ High-speed rail to Joliet Union Station
- ▶ Application for multi-modal center
- ▶ Potential for major regional center
  - ▶ Office
  - ▶ Residential
  - ▶ Education
  - ▶ Recreation



# New Ways to Use Tools

- ▶ Strategic, Coordinated High-Level Infrastructure
  - ▶ Highway locations
  - ▶ Transit improvements
  - ▶ Labor market transit
  - ▶ Sewer and water trunks
- ▶ Sub-Regional / Community Level Planning for Significant Projects
- ▶ New Uses of Existing Tools



# ARRA Helps Public Access to Capital But Extensions Needed

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## Build America Bonds

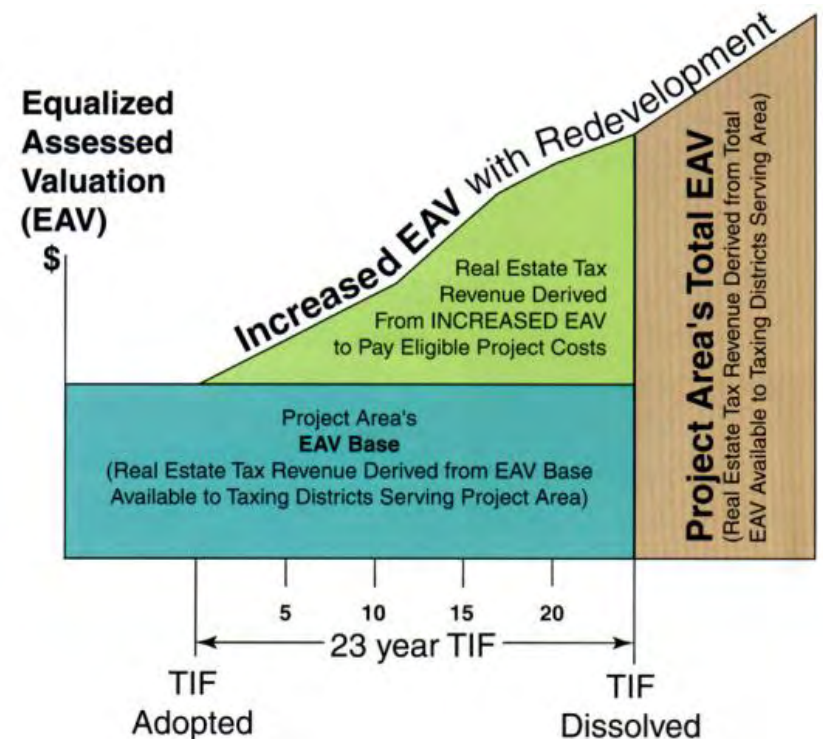
- ▶ Regular and Recovery Zone Economic Development
- ▶ Public Purposes / Uses
- ▶ Taxable Interest
- ▶ 35% / 45% Interest Subsidy from Treasury
- ▶ Compliance Issues
- ▶ Shift Demand from Tax Exempts
- ▶ Basically Interest Rate Play

## Recovery Zone Facility Bonds

- ▶ Private Activity Bonds
- ▶ Commercial and Mixed-Use, Except Golf and Liquor
- ▶ Tax-Exempt
- ▶ Credit Quality Key
- ▶ LoC Option: Federal Home Loan Bank
- ▶ 12/31/2010 Deadline
- ▶ Starting to Close

# New Uses for TIF or Other Bootstrap Tools

- ▶ Value Capture from Transit Improvements (SE Service, Red Line, Yellow Line, Joliet)
  - ▶ Stations
  - ▶ Line improvements
  - ▶ Rolling stock match
- ▶ Multi-Jurisdictional Benefit Areas (e.g. I-57/I 294, II 53/I 20)
- ▶ Expansion for Selected Greenfield Uses



# Conduit Financing for Infrastructure

## Less Developer Access to Funds

- ▶ Conduit Financing with Multiple Repayment Sources
  - ▶ SSAs
  - ▶ Business District Sales Tax
  - ▶ Infrastructure Sales Tax
  - ▶ TIF, where eligible

*Larger, Multi-Jurisdictional Benefit Areas for High Impact Projects (I-57/294; IL 53/120)*



# Innovation in Structure: Ready to Go

## The If-Then Deal

- ▶ Public \$ Were Often Last In
- ▶ Financing Contingent / Simultaneous
- ▶ Early Pledge Contingent on All Others; Resize
- ▶ State Projects and Set Triggers
  - ▶ Pre-Sales
  - ▶ Pre-Leasing
  - ▶ Full Financing

**TIF-Backed Infrastructure  
Bond Financing Ready to Go**

## Complex, Extraordinary



Building proposal for Lake Street and Forest Avenue in Oak Park. (Image provided by Epstein)



# Alternative Public-Private Finance Source for Infill Frees TIF for Infrastructure

## New Markets Tax Credits

- ▶ Low Income Tracts
- ▶ 39 %, 7 Years: Net 25% to 30%
- ▶ Complex Structure through CDE
- ▶ Used for Commercial, Industrial, Mixed-Use, Not-for-Profits
- ▶ 10 to 15 Illinois Allocatees
- ▶ Selected Tracts in Suburbs

***Provides Alternative Project Financing to Free TIF \$ for Infrastructure or Other Uses***

## Examples



**Imperial Zinc**



**Powerhouse Charter School**

# Many New Markets Eligible Tracts

## New Markets Eligible Census Tracts in State



## New Markets Eligible Census Tracts in Chicago Area



# Development Advisors to the Public and Private Sectors

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- ▶ Real Estate Economics
- ▶ Public-Private Partnerships
- ▶ Developer Solicitation
- ▶ Development Management
- ▶ Public Financing
- ▶ Area Plans & Implementation
- ▶ Fiscal & Economic Impact

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