

Discussion paper: Use of TIF funds for preservation

Precedents: There are several precedents for the use of TIF funds for preservation.

Case #1: The Reliance Building, downtown at the s.w. corner of State and Washington. The city used TIF money to acquire the building, sold it to a developer at below market rate, and then provided money for its rehabilitation

Case #2: The Carson Pirie Scott building: the city is planning to give a grant to the owners to rehab the Sullivan iron work on the façade.

Case #3: In the 48th ward, \$500,000 of TIF funds were used to remove and preserve ornament from the Uptown Theatre.

Methods: There are several methods under which TIF funds can be used for preservation, some that are voluntary; others are mandatory. The following are several:

1. The city could place the Kenmore Winthrop properties on list of properties to be acquired by the City under eminent domain at the City's discretion. Here the intent would not to acquire anyone's home while they wanted to remain in it, but only when they put it up for sale.
2. The city could offer the property owners a small grant for giving the city a first right to buy the property before it would be sold to another party. There are various ways in which an option to buy could be written.
3. The city could offer grants to owners of the property equal to, or even slightly above, the difference between the land value and the value of the house or two flat, under certain conditions. We shall call this the spread. The conditions would be that the owners would donate a façade easement to either the City or Preservation Illinois and that they would not object to down zoning or landmarking their property. The grant money would otherwise be unrestricted.
4. An additional grant could be made to owners who agreed to accept the above type grant. Such a grant would have to be used for renovation. Only properties that need renovation would be eligible for these grants.

These methods are not mutually exclusive; indeed, we suggest that they all be made available for use as options.

Of the four methods briefly described above [and there may be and probably are more], we believe that #3 offers the best option. Unlike method #1 the City would not need to acquire a property and then have to maintain it until sold. Once the grant is accepted and the donation of the easement made, the objective would have been achieved. It is clearly administratively simpler.

slb #3

Discussion of method #4: The grant/ façade easement approach

While the market value of the land can be more easily determined at any given time, the market value of the homes as homes presents a more difficult task. For one, unlike most of the land parcels, each home represents different size and condition aspects. Some homes were originally larger than others and still are and they are in different conditions of repair and rehabilitation. All other things being equal, the larger the home, the greater the value, and also too, the home that is in good repair and has been rehabbed and/or modernized is of greater value relative to the land value than one that is not. The homes along Kenmore and Winthrop run the gamut from high value to low value, with the majority at the high end.

Because there are so few houses in the group and because only a few have been sold within then last 10 years it is difficult to ascertain market value. Here are the known sale prices for a few, including those sold to a developer who demolished the home and also including a vacant parcel purchased by Jim Bryne.

Address	Description	Asking Price	Sale Price	Date of Sale	Developer Purchase?
5416 W	Barder, modest home, 35 ft feet	?	\$530 K	2002-09	Yes
5428 W	For sale now, 50 front feet	\$1.5 M			
5432 W	½ double house, by Plewa, 25 ft		\$250 K	2000	No
5722 W	Vacant land, Bryne, 50 ft		\$600 K	2002-09	Yes
5812 W	Small frame Pridmore house, rehabbed, 40 ft		\$501 K	2001-09	No
6117 W	Barb Stanley's, rehabbed home 50 front feet	\$700 K	\$710 K	2003-09 2004-04 D	Yes
6121 W	Brick home, 50 front feet		?		Yes
6212 W	Krause frame, 50 front feet		\$740 K	2004-10	Yes
6212 W	"		\$1 M	2005-01	Yes
6231 W	Cochran house, 51 front feet		\$480 K	2001-05	No
6018 K	Orange rated Max Eberhardt	\$1.2 M	?		
6022 K	GWM house, rehabbed, 50 f feet		\$680 K	2001-07	No
6022 K	"	\$799 K	\$710 K	2003-08	Yes
6022 K	"		\$970 K	2004-07	Yes
6332 K	Krause brick house, purchased by LU		?		For land
6338 K	Rothchild, purchased by LU		?		For land

The last purchase for a property with a 50 front footage was in 2005 and it was for \$1 million dollars; hence, it would not be unreasonable to affix the value for such a parcel of land along Kenmore and Winthrop at \$1 million. A same size parcel [5428 Winthrop] is

presently up for sale at \$1.5 million. Since it hasn't sold within 60 days, it is not unreasonable to conclude that \$1.5 million is overpriced.

A rough rule of thumb is that the spread between the land value and the house value for most of the single family homes along Kenmore and Winthrop would be about \$200,000. Using this amount, \$1 million of TIF funds could save five of the houses.

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