

## **Phase II**

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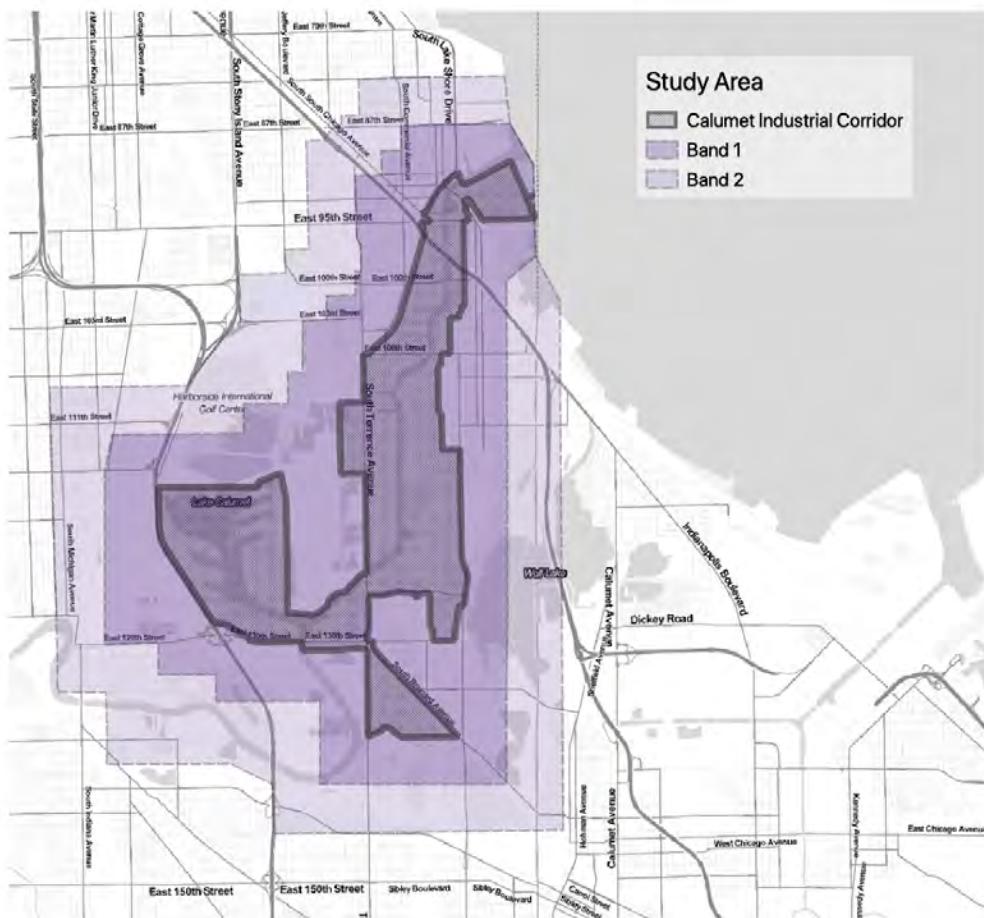
## **Introduction**

This phase of the Databook focuses on incentives and real estate activity. There are several financial and development incentives from multiple governments available in the Calumet Industrial Corridor and the surrounding study area. This section describes the available incentives and the extent to which we could determine that local companies are taking advantage of them.

Data is grouped into three "bands" of the Phase II [Study Area](#) (see Map 1):

1. The Calumet Industrial Corridor
2. Band 1: A roughly<sup>1</sup> half-mile buffer around the Calumet Industrial Corridor
3. Band 2: A roughly one-mile buffer around the Calumet Industrial Corridor

**Map 1.** Three areas of the Phase II study area (note differences from Phase I)



<sup>1</sup> CoStar does not allow importing custom boundary areas; they must be drawn by hand. To ensure accuracy between the GIS systems that MPC uses and the hand-drawing on CoStar, the buffer boundary was simplified and the band is not a true half-mile or one-mile buffer around the Calumet Industrial Corridor. Due to this, the Phase I and Phase II study areas should not be directly compared.

**Table 1.** Three areas within the Phase II Study Area

| Name                        | Area           | Net area   |
|-----------------------------|----------------|--|
| Calumet Industrial Corridor | 4,197.0 acres  | -  |
| Band 1                      | 12,374.4 acres | 8,177.4 acres<br>=Band 1-Calumet Ind. Corr.        |
| Band 2                      | 20,184.5 acres | 3,613.1 acres<br>=Band 2-Band 1-Calumet Ind. Corr. |

**Note:** The net area of Band 1 is much higher than Band 2, despite having the same nominal buffer, because of two sizable "nooks and crannies" of the Calumet Industrial Corridor.

## **Incentives**

This phase of the Databook looked at five financial and development incentives:

1. Tax Increment Financing (TIF) districts, which are administered by the City of Chicago, Department of Planning and Development.
2. Enterprise Zones, which are administered by the State of Illinois, Department of Commerce and Economic Opportunity (DCEO).
3. New Markets Tax Credits, which are administered by the U.S. Treasury and a local lender that is specific to each project.
4. Industrial Revenue Bonds, which are administered by Cook County, Department of Economic Development.
5. Industrial Growth Zones, administered by Cook County and the City of Chicago.

## **Tax Increment Financing (TIF)**

Tax Increment Financing is a funding source that is geographically based in districts established by the City of Chicago. Additional property tax revenue collected over and above the amount collected at the time of establishment (the increment) is diverted to a TIF fund to be spent on capital improvements within the district for infrastructure and businesses in order to retain and attract businesses and jobs. TIF districts also receive revenue from interest on the funds stored in their accounts, transfers from neighboring TIF districts, property sales, and other sources – the vast majority of deposits comes from the property tax increment.

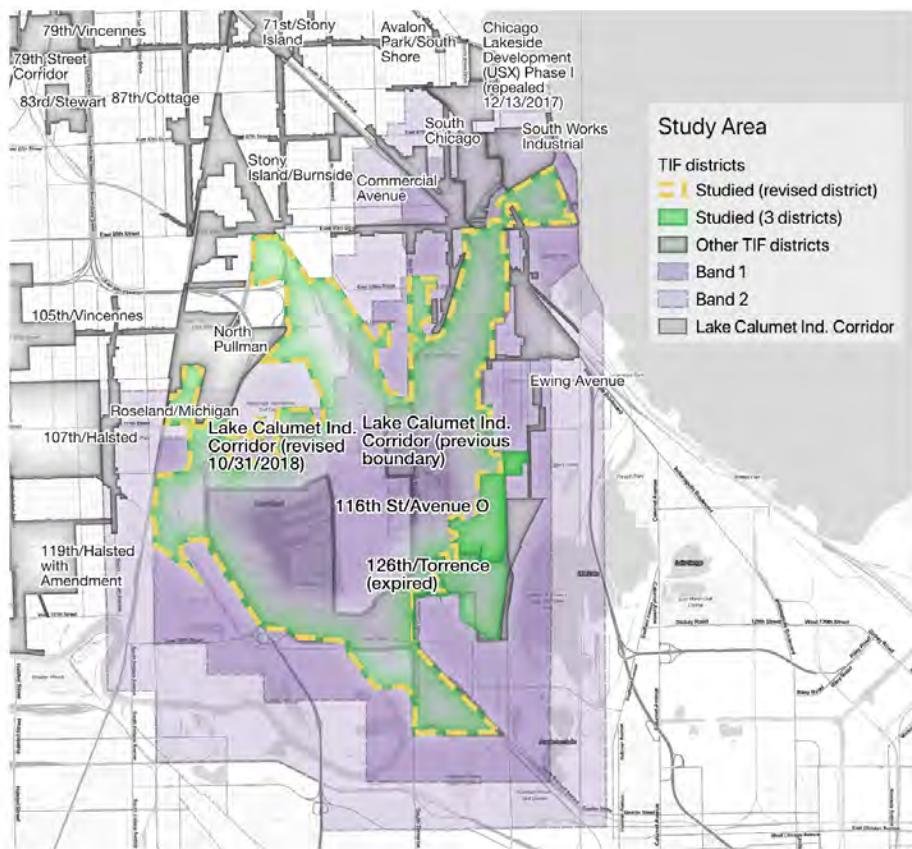
There are five active TIF districts that overlap with the Calumet Industrial Corridor, which collectively cover about 98.5 percent of it. One of the five active TIF districts is a revised

boundary. A sixth TIF district expired at the end of 2017 (126th/Torrence), and a seventh TIF district was terminated early in 2019 (South Works Industrial).

In the study area, there are three additional TIF districts that overlap with Band 2. Additionally, there is one active TIF district that is outside and borders Band 2; a second bordering TIF district was repealed at the end of 2017.

Financial information reflects the most recent report, from 2018. The 2019 report is anticipated to be published in June 2020.

**Map 2.** TIF districts overlapping the study area and in the surrounding area are shown. This report studied four TIF districts, three of which are shown in green and one of which is outlined in yellow.



## TIF Districts Listing

**Table 2.** TIF Districts overlapping the Calumet Industrial Corridor (CIC) (8 districts)  
*Ordered by expiration date*

| Name   | Ref. No. | Ongoing Projects <sup>2</sup><br>Soft/Hard | Expiration date | Overlap (% of district inside CIC) | Cumulative property tax revenue collected as of end of 2018 | Non-routine project funds disbursed <sup>3</sup> |
|--|----------|--|-----------------|------------------------------------|---|--|
| 126th/Torrence (expired)                                     | T-010    | 0  | 12/21/2017      | 86%                                | \$11,158,791  | \$10,951,890                                     |
| South Works Industrial (terminated early in 2019)            | T-078    | 0/1 (1)                                    | 12/31/2023      | 1%                                 | \$1,461,963 <sup>4</sup>                                    | \$0  |
| Lake Calumet Ind. Corridor (previous boundary <sup>5</sup> ) | T-103    | 2/1 (3)                                    | 12/31/2024      | 53%                                | \$44,323,977  | \$291,678 <sup>6</sup>                           |
| Lake Calumet Ind. Corridor (revised 10/31/2018)              | T-103    | -  | 12/31/2024      | 51%                                | -   | N/A <sup>7</sup>                                 |
| South Chicago  | T-093    | 4/0 (4)                                    | 12/31/2024      | 10%                                | \$17,322,957  | \$0 <sup>8</sup>                                 |
| Commercial Avenue  | T-128    | 4/0 (4)                                    | 12/31/2026      | <1%                                | \$19,486,942  | \$0 <sup>9</sup>                                 |

<sup>2</sup> There are different sources the City of Chicago has to determine the lifecycle of a TIF-funded project. This is discussed in further detail at the end of the TIF section. A project was counted as "Ongoing" if it had a disbursement in 2018 or was included in the project list in 2018 (the latest year for which annual reports are available). Source: "Tax Increment Financing (TIF) Annual Report - Projects".

<<https://data.cityofchicago.org/Community-Economic-Development/Tax-Increment-Financing-TIF-Annual-Report-Projects/72uz-ikdv/data>>. Accessed April 27, 2020.

<sup>3</sup> The amount of funds disbursed is taken from the section of each TIF district's annual report that complies with "SECTION 5 - 20 ILCS 620/4.7 (7)(F)". It does not include the project costs for "construction of public works or improvements", which this analysis considers a routine capital cost. These routine projects are not described anywhere in the public data.

<sup>4</sup> Remaining funds at the time of this TIF district's termination are "surplused", a legal process described below.

<sup>5</sup> The boundary was reduced per ordinance SO2018-7082, adopted by City Council and October 31, 2018.

<sup>6</sup> Lake Calumet Industrial Corridor TIF district: The development of the Big Marsh Environmental Center was considered in the calculation for "construction of public works or improvements", and not as a non-routine capital project, so the expenditure of \$1,427,590 in 2018 is not included in "Funds disbursed".

<sup>7</sup> This version of the TIF district will have its first report in 2020, for the 2019 calendar year.

<sup>8</sup> \$1,855,604 has been spent on three ongoing "soft" projects: Neighborhood Improvement Program (NIP), Small Business Improvement Fund (SBIF), and TIFWorks.

<sup>9</sup> \$1,417,167 has been spent on three ongoing "soft" projects: Neighborhood Improvement Program (NIP), Small Business Improvement Fund (SBIF), and TIFWorks.

|                   |       |         |            |     |             |                   |
|-------------------|-------|---------|------------|-----|-------------|-------------------|
| Ewing Avenue      | T-169 | 1/0 (1) | 12/31/2034 | 3%  | \$1,789,142 | \$0 <sup>10</sup> |
| 116th St/Avenue O | T-182 | 0       | 12/31/2042 | 86% | \$0.00      | \$\$              |

See Chart 1.

#### **TIF Districts overlapping Band 1 (approximate 1/3 mile buffer) (0 additional districts)**

All TIF districts that overlap Band 1 also overlap the Calumet Industrial Corridor and are listed in Table 2.

**Table 3.** TIF Districts overlapping Band 2 (approximate 1 mile buffer) (3 additional districts)

*Ordered by expiration date.* All of the TIF districts in Table 2 also overlap Band 2.

| Name                         | Ref. No. | Ongoing Projects Soft/Hard | Expiration date | Overlap (% of district inside CIC) | Cumulative property tax revenue collected at end of 2018 | Non-routine project funds disbursed |
|------------------------------|----------|----------------------------|-----------------|------------------------------------|--|-------------------------------------|
| 119th/Halsted with Amendment | T-114    | 3/1 (4)                    | 12/31/2026      | 1%                                 | \$10,579,283   | \$3,573,766                         |
| Roseland/Michigan            | T-113    | 1/0 (1)                    | 12/31/2026      | 65%                                | \$7,173,481  | \$0 <sup>11</sup>                   |
| North Pullman                | T-166    | 1/3 (4)                    | 12/31/2033      | 17%                                | \$5,358,781  | \$18,667,856 <sup>12</sup>          |

**Table 4.** TIF Districts outside and bordering Band 2 (2 additional districts)

*Ordered by expiration date.*

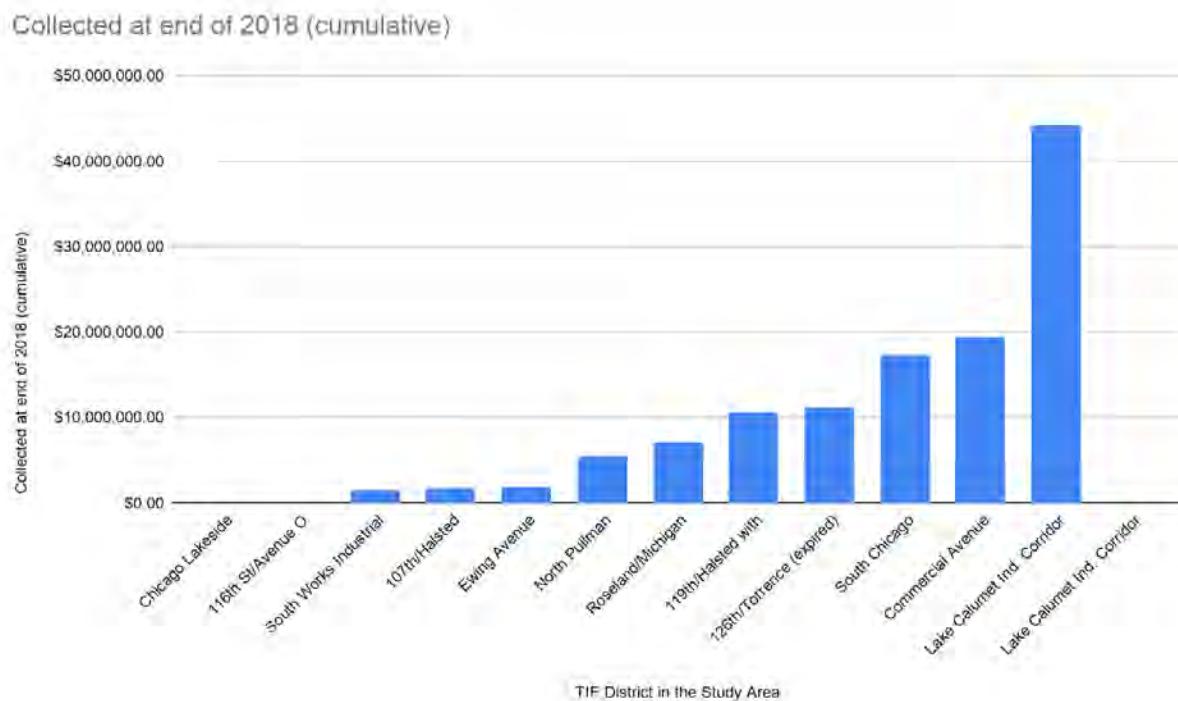
| Name   | Ref. No. | Ongoing Projects Soft/Hard | Expiration date | Overlap (% of district inside CIC) | Cumulative property tax revenue collected at end of 2018 | Non-routine project funds disbursed |
|--|----------|----------------------------|-----------------|------------------------------------|--|-------------------------------------|
| Chicago Lakeside Development (USX) Phase I (repealed 12/13/2017) | T-170    | 0                          | 12/31/2034      | 0%                                 | \$0  | \$0                                 |
| 107th/Halsted  | T-176    | 0                          | 12/31/2038      | 0%                                 | \$1,736,732  | \$0                                 |

<sup>10</sup> \$282,361 has been spent on one ongoing "soft" project: Small Business Improvement Fund (SBIF).

<sup>11</sup> \$434,572 has been spent on one ongoing "soft" project: Small Business Improvement Fund (SBIF).

<sup>12</sup> Disbursements are higher than revenue collected because of transfer(s) in.

**Chart 1.** Cumulative property tax revenue collected, as of the end of 2018



### Redevelopment Characteristics

The Lake Calumet Ind. Corridor TIF district is also Chicago's largest TIF district by area (it is 2.8 times larger than the next largest TIF district, "Midwest", on Chicago's West Side). The planning consultants and the City identified several improved and vacant areas within the Lake Calumet Ind. Corridor TIF district in the 2000 TIF designation report (also known as a Redevelopment Plan). All vacant areas were identified as "blighted", per the standards in Illinois law, and the improved areas – properties with buildings – were grouped into "blighted" and "conservation" areas.

Blighted areas within improved areas had "industrial, commercial, and residential buildings or improvements [that] are detrimental to the public safety, health, or welfare because of a combination of 5 or more factors (emphasis added)." <sup>13</sup>

<sup>13</sup> Factors are dilapidation, obsolescence, deterioration, presence of structures below minimum code standards, excessive vacancies, excessive land coverage and overcrowding of structures and community facilities, deleterious land use or layout, lack of community planning, and the total equalized assessed value of the proposed project development project area has declined or has not kept pace with the municipality for 3 of the last 5 calendar years. These phrases come from the Lake Calumet Industrial

Conservation areas are improved areas "in which 50% or more of the structures in the area have an age of 35 years or more. Such an area is not yet a blighted area but because of a combination of 3 or more of the *factors*...is detrimental to the public safety, health, morals or welfare and such an area may become a blighted area."

The Lake Calumet Ind. Corridor and South Chicago TIF districts are the oldest in the study area.

### Revenue

From their inception to the end of 2018, 10 of the 13 listed TIF districts collected \$120,392,049 in revenues<sup>14</sup>. Three of the 13 TIF districts are not counted in that figure for myriad reasons: One had collected \$0 in its seven-year long existence<sup>15</sup>, one was only two months old by the end of 2018<sup>16</sup>, and one had its boundaries revised in 2018, so the reporting is from that TIF district's previous boundary.

The Lake Calumet Ind. Corridor (previous boundary<sup>17</sup>) TIF district collects the most revenue of the TIF districts in the study area. It collected \$44,323,977 from 2000 to 2018. Following this district, the Commercial Avenue TIF district collected \$19,486,942 from 2003 to 2018.

Note: The Commercial Avenue TIF district has zero non-routine capital projects. One routine capital project was funded in 2018, likely the addition of a traffic signal. A majority of the funds for that project were paid to the Chicago Department of Transportation.

### Projects and Spending

The City of Chicago TIF projects dataset shows only non-routine capital projects; these include projects completed by private applicants as well as those governed by intergovernmental agreements for large-scale public projects such as Chicago Transit Authority stations and Chicago Public School repair or construction.

Information about routine expenditures using TIF for land acquisition, clearance, consulting, and repaving, and other transportation and public infrastructure projects are buried within each TIF

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Corridor TIF District's Redevelopment Plan document.

<[https://www.chicago.gov/content/dam/city/depts/dcd/tif/plans/T\\_103\\_LakeCalumetRDP.pdf](https://www.chicago.gov/content/dam/city/depts/dcd/tif/plans/T_103_LakeCalumetRDP.pdf)>

<sup>14</sup> One of the 10 expired at the end of 2017, so its cumulative collection value from the 2017 final report is included.

<sup>15</sup> Chicago Lakeside Development (USX) Phase I was effective from 5/12/2010 to 12/13/2017.

<sup>16</sup> 116th St/Avenue O was established 10/31/2018.

<sup>17</sup> Lake Calumet Ind. Corridor (revised 10/31/2018), will replace Lake Calumet Ind. Corridor in reporting year 2019 and later.

district's annual report. These routine expenditures are labeled as "administration, studies, and services", "site assembly and preparation", and "public improvements".

Aside from non-routine capital projects, there are "soft" projects include economic development, small business expansions and building rehabilitations, job training, and plans, studies, and administration. TIFWorks funds workforce training costs for companies located within a TIF district, as well as organizations that will train and place trainees at an employer within the TIF district. The Industrial Growth Zone program, a collaboration between the City of Chicago and Cook County, that serves as a single point of contact for businesses that would like to relocate to or expand within a designated Industrial Growth Zone.

There are other ways that funding has been disbursed: declaring a surplus, and transferring funds out to a neighborhood TIF district. On at least two occasions, "surpluses" have been declared amongst the TIF districts in the study area, both in the Lake Calumet Industrial Corridor TIF district: \$2 million in 2011, and \$245,000 in 2012 (total of \$2,245,000)<sup>18</sup>.

Surpluses happen when a mayor's administration has no other allocation for some of the funds and wants to make a withdrawal to the citywide budget. When a surplus is declared, the funds are sent to the Cook County Treasurer to be redistributed to all taxing bodies, including the City of Chicago, by their regular proportions.

Additionally, funds can be transferred out of the TIF district into bordering TIF districts. This has happened on at least seven occasions in the Lake Calumet Industrial Corridor TIF district, totaling \$17,208,056.

This study reviewed the finances of the three TIF districts that funded non-routine capital projects and have or had significant overlap with the Calumet Industrial Corridor. (The numbers in parentheses are the City of Chicago TIF district identification numbers and also loosely indicate the order in which they were established.)

1. Lake Calumet Ind. Corridor TIF district (T-103)
2. 126th/Torrence (T-10) (expired)
3. 116th St/Avenue O (T-182)

Lake Calumet Ind. Corridor TIF district (T-103)

Despite being the largest TIF district in the study area, and one of the two oldest TIF districts in the study area, there is very little spending activity in the Lake Calumet Ind. Corridor TIF district.

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<sup>18</sup> Data regarding surpluses and transfers out was not readily available for any TIF district prior to 2010.

In 2018 – the latest report available<sup>19</sup> – it collected \$4,155,705 in property tax revenue, ending the year with a balance of \$12,538,756. From its inception on December 13, 2000, to December 31, 2018, the Lake Calumet Ind. Corridor TIF district has collected \$44,323,977.

To the best of our knowledge, three non-routine capital projects were approved in this TIF district, and one has been funded. Those projects are ordered from oldest to newest:

- Keebler Company  
Approved by the Community Development Commission on October 1, 2001, for up to \$2,056,700  
"Located in Pullman, the project includes construction of new structures and rehab existing structures into 290,000 square feet of manufacturing facility. The project consists of renovating the Central Steel Co. property and Atlantic Financial Group property."<sup>20</sup>  
\$0 was disbursed
- Big Marsh Environmental Center  
Approved by the Community Development Commission on February 13, 2018, for up to \$1,400,000  
"The project includes the construction of a new Chicago Park District environmental center. The 8,000 square foot facility will include multi-purpose rooms, community rooms, bike repair, concessions, offices, and restrooms."<sup>21</sup>  
\$1,411,422 has been disbursed to various vendors and city agencies in 2018 (it's unclear if 100% of these funds were used for this project; it will become clearer in the 2019 report).
- Butler Drive Rebuilding c/o Illinois International Port District  
Approved by Chicago City Council on July 24, 2019, for up to \$3,483,464  
The project will replace just over one mile of railroad and turnouts along Butler Drive, reconstruct 1.1 miles of Butler Drive, and reconstruct 1,000 feet of Stony Island Avenue between Butler Drive and 130th Street.

Other expenditures in the 2018 annual report (this is not a total accounting of all expenditures):

- TIFWorks \$278,128
- Industrial Growth Zone \$13,551
- Surplus \$2,245,000
- Transfers \$17,208,056
- Non-routine capital projects \$1,411,422

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<sup>19</sup> TIF report for 2018:

[https://www.chicago.gov/content/dam/city/depts/dcd/tif/18reports/T\\_103\\_LakeCalumetAR18.pdf](https://www.chicago.gov/content/dam/city/depts/dcd/tif/18reports/T_103_LakeCalumetAR18.pdf)

<sup>20</sup> The Keebler Company description comes from the Chicago TIF portal, accessed March 30, 2020.

<sup>21</sup> The Big Marsh Environmental Center description comes from the Chicago TIF portal, accessed March 30, 2020.

Based on our limited review of financial activity in the Lake Calumet Ind. Corridor TIF district, more funds have been expended on surpluses and transfers out than on non-routine and routine projects. Annual reports do not identify which TIF district is receiving the transfer. Annual reports indicate revenue that comes from other TIF districts, but do not identify the sending TIF district.

#### 126th/Torrence (T-10)

The 126th/Torrence TIF district has significant overlap with the Calumet Industrial Corridor; 86 percent of the TIF district is within the Calumet Industrial Corridor. It began on December 21, 1994, and expired on its original expiration date of December 21, 2017 (23 years). Throughout its lifetime it collected \$11,158,791 in property tax revenue.

To the best of our knowledge, a single non-routine capital project was approved and funded in this TIF district:

- Ford Supplier Park / Chicago Manufacturing Campus, LLC / Ford Motor Company  
Approved by the Community Development Commission on October 9, 2001, for up to \$17,183,334<sup>22</sup>  
"Located in the South Deering community area, the project includes construction of an industrial park primarily for tenants providing services to Ford Motor Co. The project consists of infrastructure and landscape improvements, creating at least 1,000 new jobs, and additional off-site infrastructure improvements."<sup>23</sup>  
\$10,951,890 was disbursed to this project

Other expenditures (this is not a total accounting of all expenditures):

- Surplus \$13,029
- Transfers \$34,000
- Non-routine capital projects \$10,951,890

Based on our limited review of financial activity in the 126th/Torrence TIF district, the only surpluses and transfers were made at the expiration of the TIF district. All other expenditures were disbursed to the sole project approved in the TIF district and to fund administrative staff work.

#### 116th St/Avenue O (T-182)

The 116th St/Avenue O TIF district has significant overlap with the Calumet Industrial Corridor; 86 percent of the TIF district is within the Calumet Industrial Corridor. It is a very young TIF district: It began on October 31, 2018, and is set to expire on December 31, 2042.

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<sup>22</sup> The amount approved for the Ford Supplier Park ended up exceeding the total amount collected in this TIF district.

<sup>23</sup> The Ford Supplier Park description comes from the Chicago TIF portal, accessed March 31, 2020.

To the best of our knowledge, a single non-routine capital project has been approved in this TIF district:

- NorthPoint Development

Approved by the Community Development Commission on October 9, 2018 for up to \$42 million

"The Developer is planning to develop a state-of-the-art business park in three phases. Phase 1 would consist of approximately 940,000 square feet, Phase 2 would consist of approximately 740,000 square feet, and Phase 3 would consist of approximately 580,000 square feet."<sup>24</sup> The three phases combined total 2.26 million square feet. \$0 has been disbursed to this project

The first building permit for the NorthPoint Development project was issued on August 5, 2019, for a single one-story, high bay, precast warehouse building at 12144 S Avenue O<sup>25</sup>.

This TIF district is too new to have any reporting. Financial information for 2018 is not available. This TIF district's first report will be the 2019 report, and is anticipated to be published in June 2020.

#### TIF Districts Summary

The TIF districts in the study area have collected over \$100 million in property tax revenue (through 2018) but have spent less than half. It's unclear exactly how much has been spent and on what, and how much, if any, is programmed for future phases of approved projects, and how much is unallocated, as information gathering is painstaking and incomplete.

The difficulty in obtaining information about approved projects (both routine public infrastructure projects and non-routine capital projects), expenditures on approved projects, the direction of transfers, and the follow up after projects are completed, hampers the ability to view a complete picture of the effectiveness of TIF district funding, and the capacity to take on new private sector projects.

The amount of funds being collected by the TIF districts represents a great potential to be used as a public source of funds for redevelopment projects and as a local match for projects funded by other levels of government, and private sector developments.

Non-routine capital projects have received less than half of the property tax revenue collected in the reviewed TIF districts. In the Lake Calumet Industrial Corridor TIF district, the richest and largest, nearly 40 percent of the property tax revenue has been diverted to other TIF districts.

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<sup>24</sup> The Northpoint Development description comes from the Chicago TIF portal, accessed March 31, 2020.

<sup>25</sup> Permit #100809154 issued to NP Avenue O, LLC on 8/5/2019.

Outstanding questions:

- Is there a dearth of good projects to spend money on?
- What is the effectiveness of "soft" projects, including TIFWorks, Neighborhood Improvement Program (NIP), Small Business Improvement Fund (SBIF), and Industrial Growth Zones IGZ)?
- What routine capital projects (public infrastructure) are being funded and how are those selected? After they're complete, what impact does that have on how existing businesses operate and how new businesses are formed?

This study recommends that the redevelopment plans (RPAs) for some of the TIF districts are amended or rewritten to reflect the current needs of the area, transparently allocate funds, and give Chicagoans and the business community a say in the funds' programming.

#### TIF Districts Data Limitations

There are different sources the City of Chicago has to determine the lifecycle of a TIF-funded project. They include:

1. Annual reports
2. "City of Chicago TIF Data" website - abbreviated as the "TIF Portal"
3. Chicago Data Portal, dataset #1 called "Tax Increment Financing (TIF) Funded RDA and IGA Projects". This dataset is updated daily but the last project was added in November 2019.
4. Chicago Data Portal, dataset #2 called "TIF District Programming [5 year period]".  
This is a group of datasets; a new one is added annually with the projected five year programming and spending plan. This is the only dataset that gives information about routine projects (street lighting, street repaving, etc.) "Current obligations" describe approved projects. "Proposed projects" describe projects supposedly proposed, but these do not always match the projects shown in other sources in this list.
5. Chicago Data Portal, dataset #3 called "Tax Increment Financing (TIF) Annual Report - Projects".  
This dataset lists projects lists all active and completed projects during the reporting year. Presumably this should match the annual reports, but a cursory review found examples of projects listed in this dataset and not in the annual report.
6. Chicago Data Portal, dataset #4 called "Tax Increment Financing (TIF) Investment Committee Decisions". The TIC committee started in May 2019.

These scattered and incomplete data sources generate the following issues when trying to understand the extent to which TIF funding has been used, or is planned to be used, to spur economic development in an area:

- The City of Chicago's "TIF Portal" map has inaccurate information: projects are listed that were never approved, and projects are listed more than once, under different names.
- The TIF Portal map is incomplete; not all routine capital projects are shown.
- There are myriad official City of Chicago sources and they don't all have matching data.
- To understand past, present, and future TIF spending, it's important to know which projects have been approved for TIF funding, which approved projects have had TIF funding disbursed, and which projects have yet to have TIF funding disbursed. The TIF Portal does not enable this research; instead, a researcher must interrogate each and every TIF district's annual report as well as the adopted ordinances that authorize the TIF funding for each project.
- Information on routine capital projects (road repaving, for example) for public infrastructure is not published. It is also not identified in the annual reports.

This analysis encountered each of those issues in specific ways, including:

- In the South Chicago TIF district, there was information in the "Tax Increment Financing (TIF) Funded RDA and IGA Projects" dataset on the Chicago Data Portal that indicated a Chicago Public Schools non-routine capital project was approved. The project, "CPS - Nino's Heroes", referring to an early childhood education center, was present in the dataset until an unknown time when it was removed. The listing said it was approved by the Chicago Community Development Commission on August 12, 2013. The commission did not meet on August 12, but met on August 13, and did not approve any projects in the South Chicago TIF district.
- A project called "DSS Facility Consolidation" is listed on the Chicago TIF Portal as a project in the Lake Calumet Industrial Corridor TIF district, but has no supporting information. There is an address and a project cost shown, but no description, no approval date, and no other information could be found amongst the other sources.

Looking for other factual data in the South Chicago TIF district, we looked at the TIF Portal. There, six projects in the district are listed. Three are "soft" projects, for two versions of Small Business Improvement Fund (SBIF) and Neighborhood Improvement Program (NIP). The other three are capital projects, but aside from their name and approved funding amount, there are no other details about the project owner, the description of the project, or the date it was approved. None of these projects appear in dataset #1 of the Chicago Data Portal, nor do they appear in annual reports. To further confuse the matter, the 2018 annual report for the South Chicago TIF District lists two additional "soft" projects: TIFWorks (with some funds expended) and Industrial Growth Zones (with no funds expended).

Furthermore, the City of Chicago does not publish progress reports on approved projects. The Keebler food company was approved to receive just over \$2 million from the Lake Calumet Industrial Corridor TIF district, but since it was approved in early 2001 has received \$0. It would be useful to have an explanation of if the project is anticipated to receive any funding in the future.

### Areas for Further Research

Finding and calculating TIF districts' financial information is painstaking because reporting is published annually and in two sources per TIF district. The information on and plan for which projects a TIF district has allocated funds for is readily available on the Chicago TIF Portal. The plan for surplus and transfers out is not published. How much funding is unallocated would be useful to determine if there's an opportunity for a business in the future to take advantage of. The process to do that is for a business owner to ask the Chicago Department of Planning & Development if there are funds available for a particular project in mind.

Future research should explore the historic distribution of funds through the TIFWorks program. On some annual TIF reports a line item for "Job Training" is listed. For example, in the Lake Calumet Industrial Corridors 2012 annual report<sup>26</sup>, there is a line item for St. Augustine's College, job training, \$22,267. It would be useful to know what kind of effectiveness this program has, and how many people were trained in this program.

### **Enterprise Zones**

Enterprise Zones are areas co-established by the State of Illinois's Department of Commerce & Economic Opportunity (DCEO) and a local administrator where the state offers financial incentives to businesses that are expanding within or relocating to or within Enterprise Zones. A local authority could be an economic development agency, or a municipality. There are four overlapping Enterprise Zones in the Calumet Industrial Corridor<sup>27</sup>. Two of the overlapping Enterprise Zones are current, and were established in the last five years.

1. "Chicago III (2016)", in its current boundary, was established on January 1, 2016, and covers nearly all of the Calumet Industrial Corridor. It also covers areas outside of the corridor. The Chicago Department of Planning & Development (DPD) is the local administrator, and refers to it as Zone 5. It expires on December 31, 2030 (15 years). The year is part of its name, to distinguish it from the predecessor boundaries.
2. "Calumet Region (2017)", in its current boundary, was established on December 30, 2016, covering mostly areas outside of the City of Chicago, but overlaps Bands 1 and 2 in the study area. The local administrator varies depending on the municipality of the business location. It expires December 30, 2031 (15 years).

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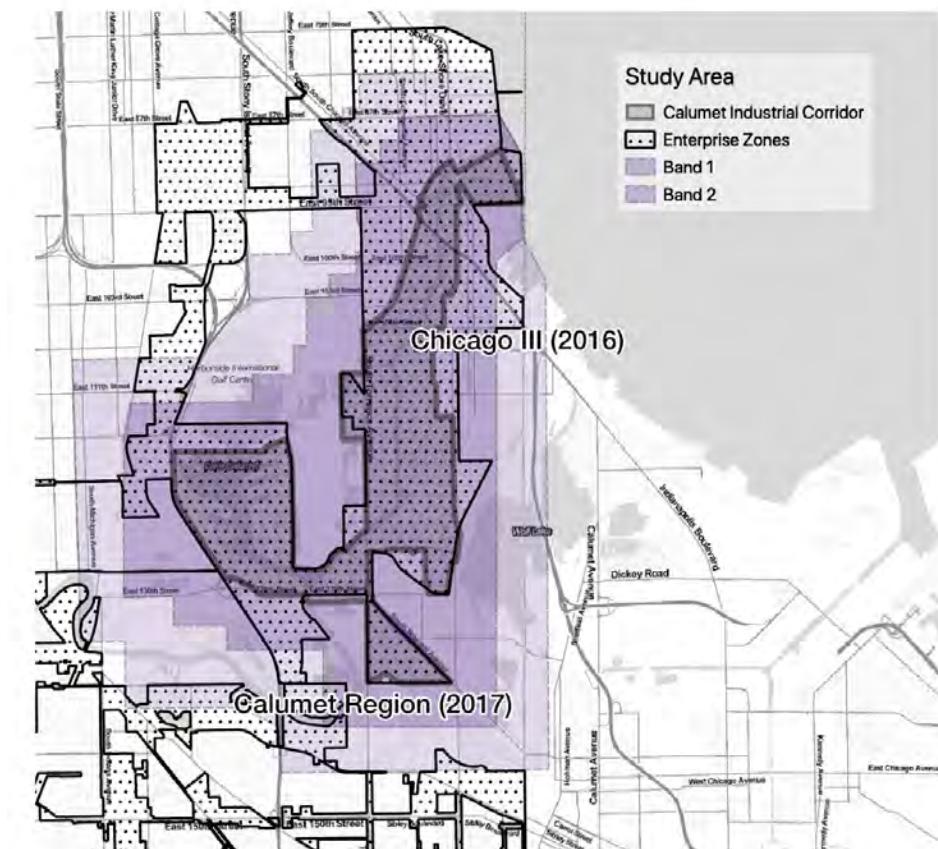
<sup>26</sup> City of Chicago. Lake Calumet TIF District, annual report, 2012.

[https://www.chicago.gov/content/dam/city/depts/dcd/tif/12reports/T\\_103\\_LakeCalumetAR12.pdf](https://www.chicago.gov/content/dam/city/depts/dcd/tif/12reports/T_103_LakeCalumetAR12.pdf)

<sup>27</sup> View a map of current Enterprise Zones:

<https://idor.maps.arcgis.com/apps/webappviewer/index.html?id=f82fc6b62fde435abb41f5f72db2db48>

**Map 3.** Two Enterprise Zones and the study area



Additionally, each of the two EZs had predecessors with different boundaries that were established prior:

1. "Chicago III"
2. "Calumet Region"

Compliance reporting from the recipients is done through the Illinois Department of Revenue.

Six types of incentives are offered in City of Chicago Enterprise Zones:

1. Sales Tax Exemption for building materials that will be incorporated into real estate as part of a building project.<sup>28</sup>
2. Real Estate Transfer Tax Exemption - This is a tax on the value of sold real estate.
3. Machinery & Equipment Sales Tax Exemption. This exemption includes repair and replacement parts for machinery and equipment used primarily in the wholesale or retail sale or lease, and equipment, manufacturing fuels, material and supplies for the maintenance, repair or operation of manufacturing, or assembling machinery or equipment.<sup>29</sup>

<sup>28</sup> <https://www2.illinois.gov/dceo/ExpandRelocate/Incentives/taxassistance/Documents/ezqa%202014.pdf>

<sup>29</sup> <https://www2.illinois.gov/dceo/ExpandRelocate/Incentives/taxassistance/Documents/ezqa%202014.pdf>

4. Utility Tax Exemption. A 5 percent state tax exemption on gas, electricity and the Illinois Commerce Commission 0.1 percent administrative charge and excise taxes on the act or privilege of originating or receiving telecommunications.<sup>30</sup>
5. Enterprise Zone Investment Tax Credit. A 0.5 percent credit against the state income tax for investments in qualified property, which is placed in service in an enterprise zone<sup>31</sup>
6. Contribution Deduction. A deduction from taxable income worth double the value of a cash or in-kind contribution to an approved project.

The Calumet Region (2017) EZ offers seven types of incentives<sup>32</sup>:

1. Sales Tax Exemption (state + local) for building materials that will be incorporated into real estate as part of a building project.
2. Commercial & Industrial Property Tax Abatement Incentive. A 50 percent abatement on the municipal portion of real estate taxes for 5 consecutive years beginning with the real estate taxes for the first full year of the facility's operation. However, if the project is receiving other substantial property tax abatements such as a TIF, Class 8 or 6B for example, the participant is not eligible for this part of the incentive.
3. Utility Tax Exemption. A 5 percent state tax exemption on gas, electricity and the Illinois Commerce Commission 0.1 percent administrative charge and excise taxes on the act or privilege of originating or receiving telecommunications.
4. Machinery & Equipment Sales Tax Exemption. This exemption includes repair and replacement parts for machinery and equipment used primarily in the wholesale or retail sale or lease, and equipment, manufacturing fuels, material and supplies for the maintenance, repair or operation of manufacturing, or assembling machinery or equipment.
5. Enterprise Zone Investment Tax Credit. A .5 percent credit against the state income tax for investments in qualified property, which is placed in service in an enterprise zone
6. Building permit fee waiver (50 percent discount on local building permit fees)
7. RG-61 gas use tax. An exemption from the Gas Use Tax for those purchasing natural gas from outside the State of Illinois.

### Enterprise Zones data

The DCEO creates [annual reports](#), and has annual reports for 2012-2018 (7 years). I submitted a FOIA request for individual records for certificates issued for Chicago III (2016) and Calumet

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<sup>30</sup> <https://www2.illinois.gov/dceo/ExpandRelocate/Incentives/taxassistance/Documents/ezqa%202014.pdf>

<sup>31</sup> <https://www2.illinois.gov/dceo/ExpandRelocate/Incentives/taxassistance/Documents/ezqa%202014.pdf>

<sup>32</sup> Information about the Calumet Region Enterprise Zone's incentives is from the official website

<<http://calumetezone.org>> maintained by the municipalities of Calumet City, Dolton, Lansing, and Riverdale.

Region (2017). We also submitted a FOIA request for the same data for the two predecessor Enterprise Zones<sup>33</sup>.

The two Enterprise Zones are very young and thus have little incentive usage and reporting activity.

#### Chicago III (2016)

Three companies have obtained EZ certificates in the Chicago III (2016) since 2016.

**Table 5.** Companies using Enterprise Zone incentives in Chicago III (2016)

| Company                       | Incentives used  | Locations   |
|-------------------------------|--|---|
| ArcelorMittal Riverdale, LLC  | Utility tax exemption  | 11100 S Burley Ave  |
| The Sherwin-Williams Company  | Utility tax exemption<br>Machinery & Equipment Sales Tax Exemption | 11700 S Cottage Grove Ave<br>549 E 115th St (Steudel Center)<br>11541 S Champlain Ave |
| Ford Motor Co.-Assembly Plant | Utility tax exemption<br>Machinery & Equipment Sales Tax Exemption |   |

#### Calumet Region (2017)

One company has obtained an EZ certificate in the Calumet Region (2017) Enterprise Zone since 2017.

**Table 6.** Companies using Enterprise Zone incentives in Calumet Region (2017)

| Company                      | Incentives used       | Locations                                  |
|------------------------------|-----------------------|--|
| ArcelorMittal Riverdale, LLC | Utility tax exemption | 13500 S Perry Ave<br>13418 S Wentworth Ave |

Summary: This is an applicant-driven program that more companies could take advantage of. It is not project based but company operations based.

<sup>33</sup> Due to the COVID-19 pandemic, the DCEO is operating at a reduced capacity and FOIA requests are a low priority task. Two weeks after the DCEO FOIA officer requested an extension, the FOIA officer asked us to rescind the request and resend it after the pandemic is over.

## **New Markets Tax Credits (NMTC)**

New Markets Tax Credits is an incentive scheme that is designed to incentivize economic development in distressed communities by providing federal tax credits. NMTC are administered locally by commercial lending banks, and regulated by the U.S. Treasury's Community Development Financial Institutions Fund (CDFI Fund).

The tax credits can be issued for projects in Qualifying Census Tracts (QCT) and Counties. QCTs are areas "where either 50 percent or more of the households have an income less than 60 percent of the AMGI for such year or have a poverty rate of at least 25 percent."<sup>34</sup> The U.S. Department of Housing and Urban Development (HUD) designates these annually using the three most recent sets of American Community Survey 5-year estimates data on income and poverty; it also uses the population data from the most recent decennial census. The QCTs together cannot have more than 20 percent of the population of the metropolitan area or nonmetropolitan area.

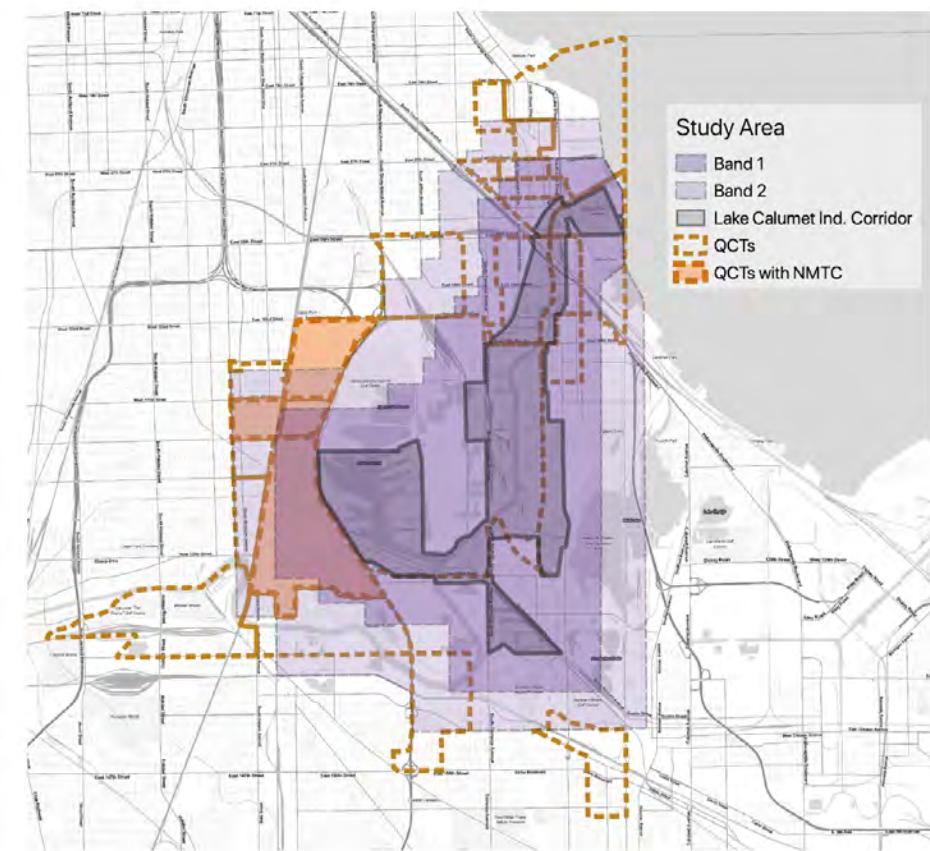
NMTC are designed to incentivize non-residential development, but some housing is allowed. Projects that have buildings or structures that derive 80 percent or more of their gross rental income from renting apartments are ineligible.

There are 695 QCTs in Illinois, out of 3,123 Census tracts in Illinois. Seven QCTs overlap the Calumet Industrial Corridor, and an additional 17 QCTs overlap Bands 1 and 2.

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<sup>34</sup> Federal Register, volume 84, number 186, Wednesday, September 25, 2019. Notice.  
<[https://www.huduser.gov/portal/Datasets/qct/QCTDDA2020\\_Note.pdf](https://www.huduser.gov/portal/Datasets/qct/QCTDDA2020_Note.pdf)>

**Map 4.** Qualified Census Tracts (QCT) and Qualified Census Tracts known to have New Markets Tax Credits-funded projects are shown



CDFI Fund releases limited information about projects that are funded (usually partially) using NMTC. The location is the project's containing Census tract, so we can determine if projects are in a Census tract that overlaps the study area. CDFI Fund calls projects "Qualified Low-Income Community Investments" (QLICI), an investment from a Community Development Entity (CDE, project owner) that receives an allocation award of New Markets Tax Credits.

In our review of that data, which covered the period 2002-2017, there were zero projects in the Calumet Industrial Corridor. Additional research uncovered a project in 2018 within the Calumet Industrial Corridor. Additionally, there were 10 projects in four qualified Census tracts that overlap the Calumet Industrial Corridor, Band 1, or Band 2.

Not all of the investments are for real estate. In this dataset, eight projects were for the new construction or acquisition of permanent real estate and buildings for commercial use, and one project was for the rehabilitation of existing real estate and buildings for commercial use. Within the group of non-real estate projects, three were categorized as "business financing" and one was categorized as "other financing purpose".

**Table 7.** NMTC-funded projects in the study area (12 projects)

| Year       | Location w/in study area    | Project   | Community Development Entity (CDE, project owner)  | Amount       |
|------------|-----------------------------|---|--|--------------|
| 2007       | Calumet Industrial Corridor |   | IFF  | \$1,000,000  |
| 2009       | Band 2, partial overlap     |   | Chicago Development Fund   | \$5,880,000  |
| 2011       | Band 2, partial overlap     |   | RBC Community Development, LLC   | \$14,500,000 |
| 2011       | Band 2, partial overlap     |   | MBS Urban Initiatives CDE, LLC   | \$11,760,000 |
| 2012       | Band 1, Band 2              |   | Chicago Development Fund   | \$9,800,000  |
| 2014, 2015 | Band 2                      | Method Soap factory <sup>35</sup>   | <ul style="list-style-type: none"> <li>• Chicago Development Fund</li> <li>• Brownfield Revitalization, LLC</li> <li>• The Business Valued Advisor Fund, LLC</li> </ul>  | \$29,990,000 |
| 2015       | Band 2                      |   | <ul style="list-style-type: none"> <li>• PNC Community Partners, Inc.</li> <li>• National Community Investment Fund</li> </ul>   | \$8,540,000  |
| 2017       | Band 2                      | Whole Foods distribution center in Pullman <sup>36</sup>  | <ul style="list-style-type: none"> <li>• Chicago Neighborhood Initiatives, Inc.</li> <li>• Southside Community Optimal Redevelopment Enterprise, LLC</li> <li>• FirstPathway Community Development, LLC</li> </ul> | \$23,660,000 |
| 2017       | Band 1, Band 2 partially    |   | IFF  | \$1,000,000  |
| 2017       | Band 2, partial overlap     |   | National Community Investment Fund   | \$4,365,000  |
| 2018       | Calumet Industrial Corridor | Flex-N-Gate <sup>37</sup> Equipment expenditures and leasehold improvements at a new 290,000-square-foot manufacturing facility | Chicago Development Fund   | \$15,000,000 |

<sup>35</sup> Project ID IL0184. Chicago Development Fund website.

<<https://chicagodevelopmentfund.org/portfolio-item/method-home-products/>>. Accessed April 24, 2020.

<sup>36</sup> FirstPathway Community Development website. <<https://www.fppcdf.com/projects/project-fresh>>. Accessed April 24, 2020/

<sup>37</sup> Chicago Development Fund website. <<https://chicagodevelopmentfund.org/portfolio-item/flex-n-gate/>>. Accessed April 24, 2020. This project was not listed in the CDFI Fund report because it happened outside the report's time period.

An additional project in the study area was funded in part by NMTC. Flex-N-Gate, a car parts maker, received a \$15 million NMTC allocation from the Chicago Development Fund and JPMorgan Chase in 2018. This project was outside the period of projects data provided by CDFI Fund, the U.S. Treasury regulator.

**Table 8.** NMTC project owners (11 Community Development Entities)<sup>38</sup>

| Project owner   | Projects         | Total investment |
|---|------------------|------------------|
| Chicago Development Fund<br>CDF is a non-profit owned by the City of Chicago.   | 3                | \$28,420,000     |
| National Community Investment Fund  | 2                | \$11,155,000     |
| The Business Valued Advisor Fund, LLC   | 1                | \$9,900,000      |
| MBS Urban Initiatives CDE, LLC  | 1                | \$11,760,000     |
| RBC Community Development, LLC  | 1                | \$14,500,000     |
| Brownfield Revitalization, LLC  | 1                | \$7,350,000      |
| Chicago Neighborhood Initiatives, Inc.  | 1                | \$7,000,000      |
| FirstPathway Community Development, LLC<br>Raises funds through NMTC to make loans to businesses in low-income communities in Wisconsin and Illinois. | 1                | \$8,820,000      |
| PNC Community Partners, Inc.<br>Affiliated with PNC bank.   | 1                | \$1,750,000      |
| Southside Community Optimal Redevelopment Enterprise, LLC   | 1                | \$7,840,000      |
| IFF   | 2                | \$2,000,000      |
| Total investment value  | 10 <sup>39</sup> | \$110,495,000    |

<sup>38</sup> The Chicago Development Fund is a non-profit organization founded by the City of Chicago that is a certified Community Development Entity. It can provide financing, "usually in the form of low interest, forgivable debt with a term of at least seven years", that can subsidize up to 20 percent of a project's funding requirement. <<https://chicagodevelopmentfund.org/how-it-works/>>. Accessed April 7, 2020.

<sup>39</sup> Projects add up to 10 and not 34 because many projects have multiple project owners.

### Data Limitation

The U.S. Treasury CDFI Fund regulatory agency does not publish records listing project locations or descriptions. Any project descriptions in Table "NMTC-funded projects in the study area" were researched on myriad Community Development Enterprises' websites.

### Areas for Further Research

This study reached out to two project owners (IFF and Chicago Neighborhood Initiatives) to attempt to learn more about the specific projects funded, as the CDFI Fund does not publish this information. Future DPD-led research could interview the remaining project owners and survey their reasons for using New Markets Tax Credits, how much it costs to apply for and obtain NMTC, and the overall fit of NMTC in a project's capital stack.

## **Industrial Development Revenue Bonds**

An Industrial Development Revenue Bond is a tax-exempt municipal bond (debt) issued by Cook County on behalf of manufacturing companies to finance qualified capital projects and expenses. This includes the acquisition and construction or rehabilitation of machinery and equipment. Requests must range from \$1.5 million to \$10 million.

Cook County is not currently promoting this economic development program. We requested data from the Cook County Bureau of Economic Development about the historical use of the program for the period of 2000 to 2019. It appears that bonds were issued for two projects.

- 128th Street Limited Partnership Project  
8/16/2000  
\$3 million
- Little Lady Foods, Inc. Project<sup>40</sup>  
7/2/2001  
\$4.755 million

## **Industrial Growth Zones**

Industrial Growth Zones is a partnership program between the City of Chicago and Cook County "to make industrial development faster, simpler, and easier"<sup>41</sup>. Property owners, businesses, and developers can "enroll" their properties in the program and receive the following benefits:

- Marketing: Promoting the land on the website's map

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<sup>40</sup> Little Lady Foods, Inc. is now known as Miracapo, a company that makes frozen pizza for other brands.

<sup>41</sup> "Industrial Growth Zones" website, accessed March 31, 2020. <<http://www.growthzones.com>>.

- Coordination: "A dedicated point person who will help assemble critical information for potential developers, including zoning, utilities, [and] financial and environmental information..."<sup>42</sup>
- Grants: "Up to \$130,000 in grants to conduct environmental assessments and remediation (up to \$5,000 to update a Phase I ESA, \$25,000 to conduct a Phase II ESA, and \$100,000 for necessary environmental remediation for a confirmed project)"<sup>43</sup>

There are seven IGZs in Cook County, including five in Chicago. One of them is named "Calumet" and has the same boundary as the Calumet Industrial Corridor. "Calumet / Cal Sag" is a nearby IGZ that shares a small area of Bands 1 and 2.

**Table 9.** TIF Districts with allocations to support Industrial Growth Zones

| TIF District                     | Ref. No. | Funds allocated | Funds disbursed<br>(as of 2018) |
|----------------------------------|----------|-----------------|---------------------------------|
| South Chicago                    | T-093    | \$5,000,000     | \$0                             |
| Lake Calumet Industrial Corridor | T-103    | \$8,500,000     | \$13,551                        |
| Commercial Avenue                | T-128    | \$3,500,000     | \$0                             |

The funds disbursed were consulting fees to Environmental Design International (EDI), a civil engineering company that conducts environmental site assessment. The work was done at four locations in the Lake Calumet Industrial Corridor TIF district<sup>44</sup>.

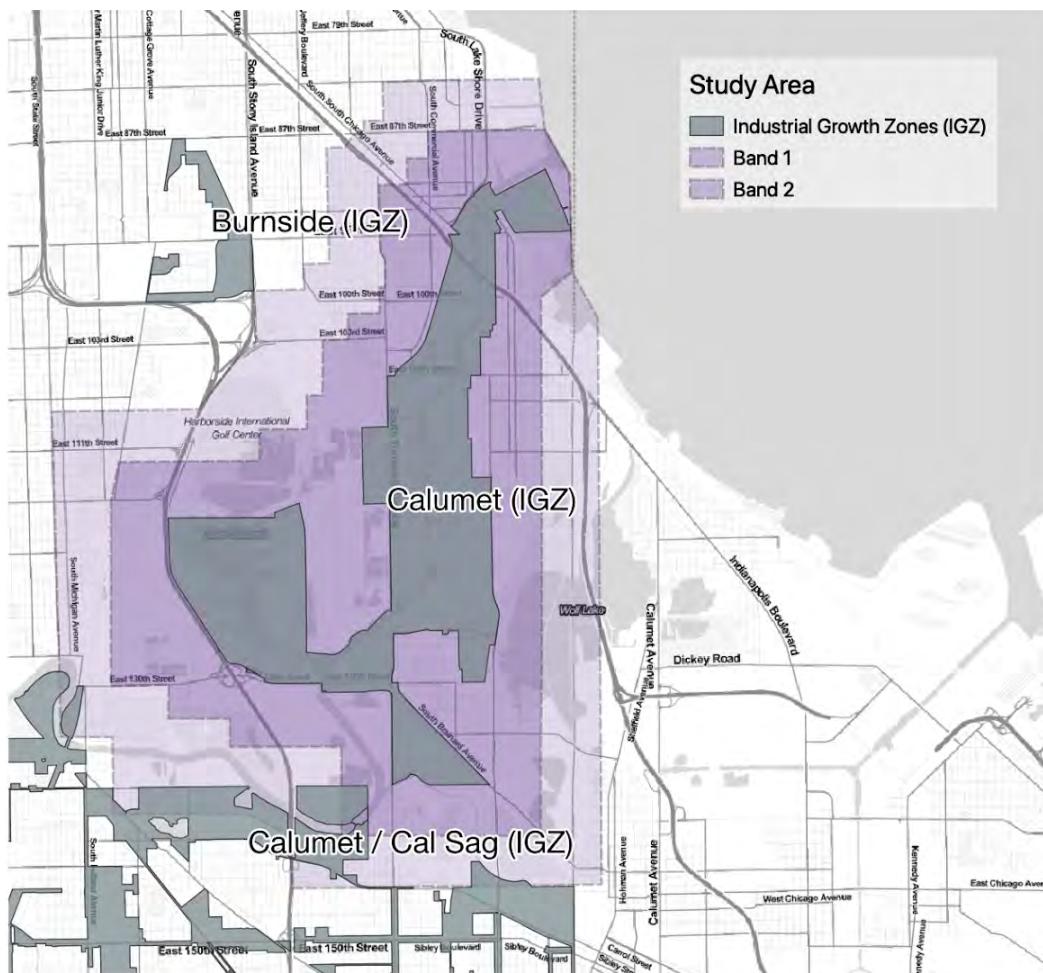
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<sup>42</sup> "Industrial Growth Zones" website, accessed March 31, 2020. <<http://www.growthzones.com>>.

<sup>43</sup> "Industrial Growth Zones" website, accessed March 31, 2020. <<http://www.growthzones.com>>.

<sup>44</sup> The four locations were: 10655 S Torrence Ave, 1430 E 130th St (ADE, Inc., a packaging company, is located here), 13535 S Torrence (Great Lakes Reloading, a warehousing and transloading company, is located here), 3200 E. 116th Street.

**Map 5.** Industrial Growth Zones. The Calumet Industrial Corridor is not shown because it is coterminous with the Calumet IGZ



#### Areas for Further Research

Further research by DPD should obtain information from both the Chicago Department of Planning & Development, and the Cook County Bureau of Economic Development, to learn how the program has attracted business to the region, and review the program's measures of effectiveness.

#### Real Estate Activity

Data was provided by CoStar and extracted from CoStar on March 11, and represents the real estate activity and property listings active on that date.

## Properties summary

There were 937 properties that could be geocoded to inside the study area. Some properties that were exported from CoStar that CoStar indicated were in the study area could not be geocoded (11 properties); CoStar does not provide geographic information in the export so there was no alternative to self-geocoding.

Of the 937 properties in the study area, 102 are within the Calumet Industrial Corridor (10.9%). CoStar classifies all properties with a "Property Type" attribute, and most properties with a "Secondary Type" attribute. The distribution of those properties is shown in Table 10.

Note: CoStar's properties data has many duplicates; 17 properties are duplicated 1-3 times for a total of 19 extra records. These records were left in place because there was not enough information to determine which record in the group of its duplicates was the most accurate or authoritative.

**Table 10.** Property quantities by type, in all parts of the study area

| <b>Property Type</b> | <b>Quantity</b> | <b>Secondary Types (not all properties are classified)</b> |                 |                              |
|----------------------|-----------------|--|-----------------|------------------------------|
| Industrial           | 155             | <b>Secondary type</b>                                      | <b>Quantity</b> | <b>Calumet Ind. Corridor</b> |
|                      |                 | Warehouse  | 85              | 15                           |
|                      |                 | Manufacturing  | 42              | 19                           |
|                      |                 | Distribution   | 8               | 3                            |
|                      |                 | Service  | 5               | 0                            |
|                      |                 | Food Processing  | 4               | 1                            |
|                      |                 | Truck Terminal   | 4               | 0                            |
|                      |                 | Total classified   | 148             | 38                           |
|                      |                 | Unclassified   | 7               | 2                            |
|                      |                 | Total  | 155             | 40                           |
|                      |                 | Area (s.f.)  | 18,087,751      | 9,796,352 (54.2%)            |
| Land                 | 110             | <b>Secondary type</b>                                      | <b>Quantity</b> | <b>Calumet Ind. Corridor</b> |
|                      |                 | Commercial   | 66              | 3                            |
|                      |                 | Industrial   | 37              | 12                           |
|                      |                 | Residential  | 7               | 0                            |
|                      |                 | Total classified   | 110             | 15                           |
|                      |                 | Total  | 110             | 15                           |
|                      |                 | Area (acres)   | 1,365           | 634 (46.4%)                  |

| Office                           | 52              | <table> <thead> <tr> <th><b>Secondary type</b></th><th><b>Quantity</b></th><th><b>Calumet Ind. Corridor</b></th></tr> </thead> <tbody> <tr> <td>Medical</td><td>8</td><td>0</td></tr> <tr> <td>Office/Residential</td><td>6</td><td>0</td></tr> <tr> <td>Loft/Creative Space</td><td>3</td><td>0</td></tr> <tr> <td>Total classified</td><td>17</td><td>0</td></tr> <tr> <td>Unclassified</td><td>35</td><td>2</td></tr> <tr> <td>Total</td><td>52</td><td>2</td></tr> <tr> <td>Area (s.f.)</td><td>715,838</td><td>36,950 (5.2%)</td></tr> </tbody> </table>  | <b>Secondary type</b> | <b>Quantity</b> | <b>Calumet Ind. Corridor</b> | Medical            | 8  | 0 | Office/Residential  | 6 | 0 | Loft/Creative Space | 3 | 0 | Total classified    | 17 | 0 | Unclassified | 35 | 2 | Total       | 52 | 2 | Area (s.f.)           | 715,838 | 36,950 (5.2%) |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
|----------------------------------|-----------------|--|-----------------------|-----------------|------------------------------|--------------------|----|---|---------------------|---|---|---------------------|---|---|---------------------|----|---|--------------|----|---|-------------|----|---|-----------------------|---------|---------------|--------------|---|---|--------------------|---|---|----------------------------------|---|---|----------|---|---|---------------|---|---|----------------|---|---|------------------|----|---|--------------|---|---|-------|----|---|-------------|-----------|-----------------|
| <b>Secondary type</b>            | <b>Quantity</b> | <b>Calumet Ind. Corridor</b>   |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Medical                          | 8               | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Office/Residential               | 6               | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Loft/Creative Space              | 3               | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Total classified                 | 17              | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Unclassified                     | 35              | 2  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Total                            | 52              | 2  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Area (s.f.)                      | 715,838         | 36,950 (5.2%)  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Specialty                        | 49              | <table> <thead> <tr> <th><b>Secondary type</b></th><th><b>Quantity</b></th><th><b>Calumet Ind. Corridor</b></th></tr> </thead> <tbody> <tr> <td>Religious Facility</td><td>12</td><td>0</td></tr> <tr> <td>Schools</td><td>8</td><td>0</td></tr> <tr> <td>Car Wash</td><td>5</td><td>1</td></tr> <tr> <td>Cement/Gravel Plant</td><td>4</td><td>2</td></tr> <tr> <td>Marina</td><td>4</td><td>0</td></tr> <tr> <td>Post Office</td><td>4</td><td>0</td></tr> <tr> <td>Auto Salvage Facility</td><td>2</td><td>0</td></tr> <tr> <td>Self-Storage</td><td>2</td><td>0</td></tr> <tr> <td>Lodge/Meeting Hall</td><td>1</td><td>0</td></tr> <tr> <td>Radio/TV Transmission Facilities</td><td>1</td><td>0</td></tr> <tr> <td>Shipyard</td><td>1</td><td>1</td></tr> <tr> <td>Railroad Yard</td><td>1</td><td>1</td></tr> <tr> <td>Public Library</td><td>1</td><td>0</td></tr> <tr> <td>Total classified</td><td>47</td><td>4</td></tr> <tr> <td>Unclassified</td><td>2</td><td>0</td></tr> <tr> <td>Total</td><td>49</td><td>4</td></tr> <tr> <td>Area (s.f.)</td><td>1,128,877</td><td>402,600 (35.7%)</td></tr> </tbody> </table> | <b>Secondary type</b> | <b>Quantity</b> | <b>Calumet Ind. Corridor</b> | Religious Facility | 12 | 0 | Schools             | 8 | 0 | Car Wash            | 5 | 1 | Cement/Gravel Plant | 4  | 2 | Marina       | 4  | 0 | Post Office | 4  | 0 | Auto Salvage Facility | 2       | 0             | Self-Storage | 2 | 0 | Lodge/Meeting Hall | 1 | 0 | Radio/TV Transmission Facilities | 1 | 0 | Shipyard | 1 | 1 | Railroad Yard | 1 | 1 | Public Library | 1 | 0 | Total classified | 47 | 4 | Unclassified | 2 | 0 | Total | 49 | 4 | Area (s.f.) | 1,128,877 | 402,600 (35.7%) |
| <b>Secondary type</b>            | <b>Quantity</b> | <b>Calumet Ind. Corridor</b>   |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Religious Facility               | 12              | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Schools                          | 8               | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Car Wash                         | 5               | 1  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Cement/Gravel Plant              | 4               | 2  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Marina                           | 4               | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Post Office                      | 4               | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Auto Salvage Facility            | 2               | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Self-Storage                     | 2               | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Lodge/Meeting Hall               | 1               | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Radio/TV Transmission Facilities | 1               | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Shipyard                         | 1               | 1  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Railroad Yard                    | 1               | 1  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Public Library                   | 1               | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Total classified                 | 47              | 4  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Unclassified                     | 2               | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Total                            | 49              | 4  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Area (s.f.)                      | 1,128,877       | 402,600 (35.7%)  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Flex                             | 10              | <table> <thead> <tr> <th><b>Secondary type</b></th><th><b>Quantity</b></th><th><b>Calumet Ind. Corridor</b></th></tr> </thead> <tbody> <tr> <td>Light Distribution</td><td>1</td><td>0</td></tr> <tr> <td>Light Manufacturing</td><td>1</td><td>0</td></tr> <tr> <td>Showroom</td><td>1</td><td>0</td></tr> </tbody> </table>  | <b>Secondary type</b> | <b>Quantity</b> | <b>Calumet Ind. Corridor</b> | Light Distribution | 1  | 0 | Light Manufacturing | 1 | 0 | Showroom            | 1 | 0 |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| <b>Secondary type</b>            | <b>Quantity</b> | <b>Calumet Ind. Corridor</b>   |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Light Distribution               | 1               | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Light Manufacturing              | 1               | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |
| Showroom                         | 1               | 0  |                       |                 |                              |                    |    |   |                     |   |   |                     |   |   |                     |    |   |              |    |   |             |    |   |                       |         |               |              |   |   |                    |   |   |                                  |   |   |          |   |   |               |   |   |                |   |   |                  |    |   |              |   |   |       |    |   |             |           |                 |

|  |  |                  |         |                |
|--|--|------------------|---------|----------------|
|  |  | R&D              | 1       | 0              |
|  |  | Total classified | 4       | 0              |
|  |  | Unclassified     | 6       | 1              |
|  |  | Total            | 10      | 1              |
|  |  | Area (s.f.)      | 136,315 | 18,005 (13.2%) |

## Analytics

We reviewed the inventory of non-residential buildings using data collected by CoStar, for the period of 2006 to 2019 (the data is divided into 56 quarters).

### Range of rents

A CoStar analyst was interviewed to understand the divergence in annual rent. The following was derived from our conversation: There is not a good way to normalize or compare rents based on the services that the tenants get and the operating expenses of the building. Additionally, the age of the building, its Class, and other value factors will affect the lease. And, if taxes and operating expenses fluctuate, so might rents.

**Table 11.** Summary of building statistics per during the study period (2006-2019)

| Area   | Number of buildings in the area during period | Amount of building area in the inventory (s.f.) | Range of vacancy rates during the period | Range of average annual rent (in \$ per s.f.) (non-office, NNN) |
|--|---|---|--|---|
| Calumet Industrial Corridor                              | 46 - 47                                       | 7,500 - 550,503                                 | 0.1 - 5.6%                               | \$2.00 - \$4.50   |
| Calumet Industrial Corridor + Band 1 (half mile)         | 406 - 410                                     | 17,467,087 - 18,165,257                         | 0.4 - 9.8%                               | \$3.16 - \$25.94  |
| Calumet Industrial Corridor + Band 1 + Band 2 (one mile) | 798 - 805                                     | 25,673,819 - 26,367,989                         | 0.9 - 8.8%                               | \$3.25 - \$22.53  |

### Note about building size

The following sections talk about area in square feet, which is the typical way that commercial buildings for lease are measured. To give the reader a sense of how large these buildings and leased areas are, a list of common store brands and their footprints is below (excluding parking areas):

- |             |                            |
|-------------|----------------------------|
| • Target    | 183,000 s.f. <sup>45</sup> |
| • Walgreens | 13,000 s.f.                |
| • Menards   | 206,000 s.f. <sup>46</sup> |

### Calumet Industrial Corridor

The number of buildings in CoStar's inventory within the Calumet Industrial Corridor remained steady. At the beginning of the study period there were 46 buildings. In 2018 Quarter 2, one building was added to the inventory, for a total of 47 buildings. The inventory area, measured in square feet, was thus also steady, at just under 10.3 million s.f. The 47th building added nearly 400,000 s.f., for a total of 10,673,952 s.f.

### Leasing activity

Leasing activity is limited but stable. 40 of the 56 quarters had no leasing activity (71 percent). The remaining 16 quarters had 1-2 leasing deals for a total of 18 deals. The average area of leased space in these 18 deals was 180,056 square feet. The smallest area leased was 18,005 s.f; the largest area leased was 412,800 s.f.

### Vacancies

In the Calumet Industrial Corridor, the amount of floor area that CoStar recorded as vacant has fluctuated but never exceeded 6 percent. The lowest vacancy level was less than 0.1 percent, off and on between 2017 Quarter 1 and 2019 Quarter 1, inclusive. The highest vacancy level was 5.6 percent, which occurred between 2012 Quarter 4 and 2013 Quarter 1.

Real estate markets require a positive vacancy rate to ensure that there is space for new businesses to form and locate and for new businesses to relocate. A report about the *industrial property market* in 2019 Q4 by Jones Lang LaSalle<sup>47</sup> (JLL) showed that the Chicago market (which includes areas outside of the Chicago city limits) had a vacancy rate of 6.1 percent.

The CoStar data included all non-residential properties, and the 2019 Q4 vacancy rate was 0.9 percent, much lower than the industrial property market for the Chicago region. JLL's report

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<sup>45</sup> The author measured the footprint of the Target Mid-North store at 2656 N Elston Ave, Chicago, IL

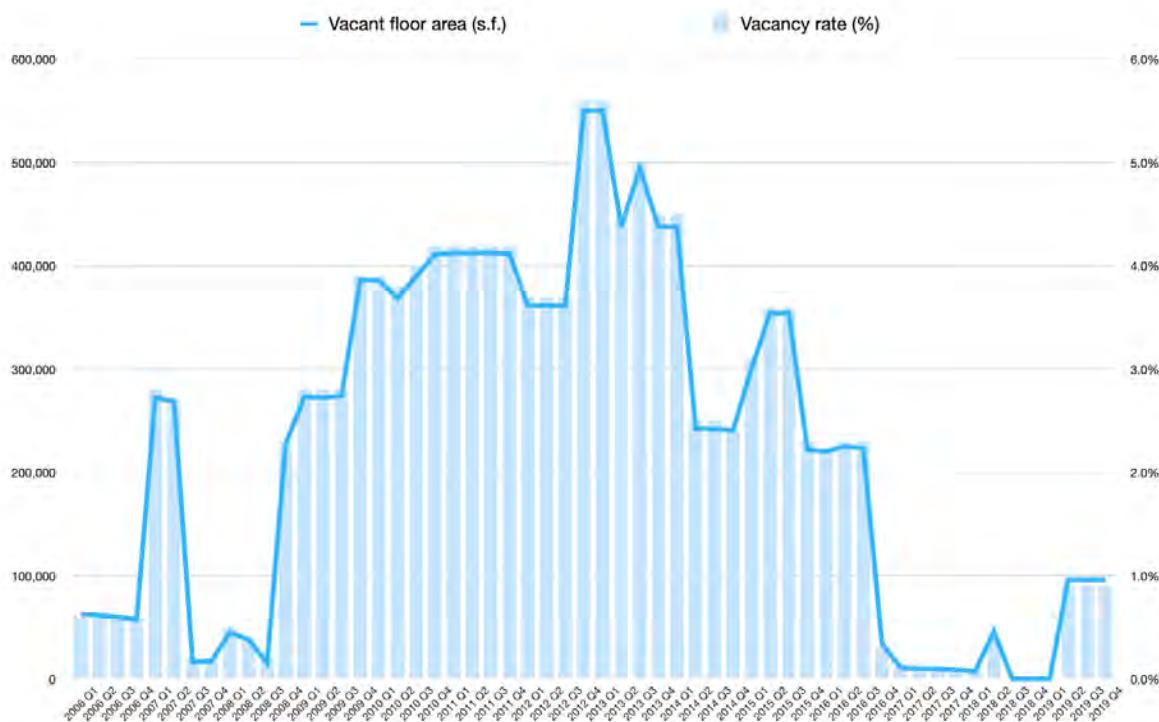
<sup>46</sup> The author measured the footprint of the Menards at 4501 W North Ave, Chicago, IL

<sup>47</sup> "Q4 2019 Industrial Insight - Chicago". Jones Lang LaSalle. Accessed April 9, 2020.

<<https://www.us.jll.com/content/dam/jll-com/documents/pdf/research/jll-us-industrial-insight-chicago-q4-2019.pdf>>

showed a 4.2 percent vacancy rate for the "Chicago South" region<sup>48</sup>, which is all of Chicago south of the Eisenhower Expressway (I-290). Across the Indiana border, the vacancy rate for industrial property was 5.7 percent, and 4.6 percent in the South Suburbs of Cook County.

**Chart 2.** Measures of vacancy in the Study Area for non-residential properties in the Calumet Industrial Corridor



*Chart 2 source: CoStar analytics data for all non-residential properties in the Calumet Industrial Corridor for the period 2006-2019.*

#### Rents

CoStar collected rental data for non-office space in the majority of quarters in the study period, but the data does not exist after 2016. CoStar did not collect rental data for office space.

The rent per square foot per year for non-office space ranged from \$2.00 to \$4.50 from 2006 to 2016. The mean rent was \$3.15 and the median rent was \$3.25.

<sup>48</sup> Map available in a 2019 Q2 Chicago submarket overview report. Accessed April 9, 2020.  
<https://www.us.jll.com/en/trends-and-insights/research/chicago-industrial-submarket-overview-q2-2019>

### Calumet Industrial Corridor + Band 1 (half mile)

*Due to limitations in CoStar's software, it's impossible to separate the analytics data for larger areas from the smaller areas that they contain, as is the case when using buffers around the Calumet Industrial Corridor.*

The number of buildings in CoStar's inventory within the Calumet Industrial Corridor + Band 1 remained steady. At the beginning of the study period there were 407 buildings. The variation in buildings ranged from 406 buildings in the inventory to 410 buildings. The inventory area, measured in square feet, was 17,832,728 s.f. However, the area began the study period with 18,064,082 s.f., 231,354 more than at the end of the study period. There was a reduction of 681,170 s.f. of inventory area – likely due to demolition of two buildings – between 2007 Q1 and 2007 Q2.

#### Leasing activity

16 of the 56 quarters had no leasing activity (29 percent). Forty of the 56 quarters had 1-7 deals per quarter for a total of 87 deals, and 3,182,635 s.f. was leased. The average area of leased space in these 87 deals was 79,566 s.f. The smallest area leased was 337 s.f.; the largest area leased was 418,857 s.f.

#### Vacancies

In the Calumet Industrial Corridor + Band 1 area, the amount of floor area that CoStar recorded as vacant has fluctuated but never exceeded 8.3 percent. The lowest vacancy level was less than 0.4 percent, which occurred several times between 2017 and 2019. The highest vacancy level was 8.3 percent, which occurred during 2007 Q1. The vacancy rate increased from 5.0 percent to 8.3 percent from 2006 Q4 to 2007 Q1. The rate fell to 3.6 percent in 2007 Q2. The change could be attributed to tenants moving out of existing buildings. This happened at the same time as the reduction of 681,170 s.f. of inventory area.

#### Rents

CoStar collected rental data for office and non-office space in all quarters in the study period. One quarter had no report for non-office space (2006 Q1).

The rent per square foot per year for office space, including sublet space, ranged from \$13.71 to 18.39. The mean rent was \$15.17 and the median rent was \$15.05.

The rent per square foot per year for non-office space, including sublet space, ranged from \$3.16 to \$25.94. The mean rent was \$7.34 and the median rent was \$4.26.

However, the rents above \$13.84 were only recorded in 2018 (all four quarters). Excluding this period, the mean was \$6.03 and the median was \$4.10. Despite this apparent anomaly, it is clear that rents rose by nearly three times from 2006 to 2019.

### Calumet Industrial Corridor + Band 1 + Band 2 (one mile)

*Due to limitations in CoStar's software, it's impossible to separate the analytics data for larger areas from the smaller areas that they contain, as is the case when using buffers around the Calumet Industrial Corridor.*

The number of buildings in CoStar's inventory within the Calumet Industrial Corridor + Band 1 + Band 2 remained steady. At the beginning of the study period there were 798 buildings, and 805 at the end. The variation in buildings ranged from 798 to 805. The inventory area, measured in square feet, was 26,296,165 s.f. The area began the study period with 25,673,819 s.f., and peaked at 26,367,989 in 2007 Q1.

#### Leasing activity

7 of the 56 quarters had no leasing activity (13 percent). 49 of the 56 quarters had 1-10 deals per quarter for a total of 191 deals, and 4,080,015 s.f. was leased. The average area of leased space in these 191 deals was 83,266 s.f., which is a larger average than other parts of the study area. The smallest area leased was 337 s.f. (the same deal as in the Calumet Industrial Corridor + Band 1); the largest area leased was 428,291 s.f., which is slightly larger than the largest space leased in the other parts of the study area.

#### Vacancies

In the Calumet Industrial Corridor + Band 1 + Band 2 area, the amount of floor area that CoStar recorded as vacant has fluctuated but never exceeded 8.8 percent. The lowest vacancy level 0.9 percent, which occurred between 2018 Q3 and Q4. The highest vacancy level was 8.8 percent, which occurred during 2007 Q1, the same quarter as the Calumet Industrial Corridor + Band 1 area.

The vacancy rate increased from 5.2 percent to 8.8 percent from 2006 Q4 to 2007 Q1. The rate fell back to 5.1 percent in 2007 Q2. The change could be attributed to tenants moving out of existing buildings. This happened at the same time as the reduction of 681,170 s.f. of inventory area in the Calumet Industrial Corridor + Band 1 area.

#### Analytics Summary

The lowest vacant periods were in 2016-2019, in most of the study area. In fact, all parts of the study have had a vacancy rate of less than 2.0 percent for at least the last two years. The highest vacancies were in the recession. The list below shows how far back the vacancy rate has been less than 2 percent.

**Table 12.** Summary of recent and low vacancy rates

| <b>Part of study area</b>               | <b>Range of recent vacancy rate</b> | <b>Date range of recent vacancy rate</b> |
|---|-------------------------------------|--|
| Calumet Industrial Corridor             | 0.0 - 0.9 percent                   | 2016 Q4 - 2019 Q4                        |
| Calumet Industrial Corridor + Band 1    | 0.4 - 1.3 percent                   | 2016 Q4 - 2019 Q4                        |
| Calumet Industrial Corridor + Band 1, 2 | 0.9 - 1.8 percent                   | 2018 Q1 - 2019 Q4                        |

Based on the available evidence, demand for industrial space seems stable. Many sources cite the trend of increasing e-commerce delivery, as well as logistics to support more pick-up-in-store deliveries, and Chicago's continual status as a regional and national shipping hub as reasons for the demand.

#### Areas for Further Research

- The data on leasable properties and buildings would be more precise if there was a source that offered the ability to segment the data into researcher-specified geographies.
- The study could look into the leasable properties dataset to try to determine the reason for the loss of inventory between 2006 Q4 and 2007 Q1.