

Case Study: University Village, Chicago, IL



University Village in Chicago started out as a barren, blighted brownfield site adjacent to the University's Chicago Campus. It was in desperate need of redevelopment. Much of a 30-acre campus expansion parcel had been assembled by the University by 1995. The multi-year redevelopment would require an investment of \$500+ million to provide: sites for a future university office building, classrooms, a fine arts center; new student housing; a parking garage; 700 units of private housing; and, a well-located campus town. The space and facilities were needed to accommodate the ever-increasing influx of students.

However, the largest hurdle to the redevelopment was the requirement that the project generate sufficient revenue to pay its own way. The University had no available funding. The dilemma was solved by enlisting the City of Chicago for help in approving tax increment financing for the undertaking, thereby allowing the developers to monetize 20 years of future tax increases on the residential and commercial components of the project to pave the way for the redevelopment of site infrastructure. The incremental taxes would be generated from private housing and business tenants serving this new urban community.

The combination of tax increment financing for infrastructure improvements, auxiliary revenue bonds issued for student housing, Certificates of Participation (COPs) for university facilities to be consolidated on the site and private investment to construct "for-sale" housing gave rise to what is now known as "University Village." This unique combination of financing was structured to be self-funding to the University over the project life cycle.

The critical component of the transaction was a \$70 million sale and leaseback of the parcel from the University. Annual payments under the lease-back were contingent on the availability of appropriations, but were supported by a pledge of the tax increment from housing, retail and office to be built on the site.

An entire community was constructed. Today it represents a vibrant hub for students at the University of Illinois at Chicago. The community of University Village was brought to reality through the creativity of a Norton Scott principal, who successfully advised the Mesirov-Stein led development team in the structuring and implementation of a financing plan that met the "cash strapped" University's constraints.

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