CASE STUDY

CHICAGO'S SOUTH SUBURBS

SMART GROWTH

IN OLDER COMMUNITIES

CNT
Sustainable Communities
Attainable Results

PRIOR TO THE RISE OF THE AUTOMOBILE in the second half of the 20th century, many American homes and businesses were located in walkable, transit-served communities, and manufacturers reaped the benefits of easy access to freight rail. But during the last two generations, industrial jobs were exported to developing countries, and highway development opened up cheap land in sprawling new exurbs, draining many communities of businesses, residents and tax revenues. The environment of entire metropolitan regions suffered as farmland was paved over, people were forced to drive to jobs inaccessible by mass transit, more cars and trucks flooded the roads, and prime industrial properties turned into immense pockets of contamination and blight.

The dismantling of once-thriving industrial centers and rail-served towns, however, is not irreversible. Prioritizing investment in cargo-oriented developments (COD) — clusters of manufacturing firms and logistics businesses with excellent access to railroads as well as expressways, intermodal terminals, and large pools of workers — will increase the efficiency of cargo movements, curb suburban sprawl, and limit greenhouse gas emissions. Implementing COD in tandem with transit-oriented developments (TOD) — pedestrian-friendly community centers that contain a mix of residences and commercial businesses near public transportation — will improve access to new jobs and reduce household transportation expenses as people become less dependent on personal automobiles.

In 2004, CNT applied an analysis of community assets and potential development opportunities surrounding rail stations and industrial districts in the south suburbs of Chicago. CNT subsequently launched its "Smart Growth in Older Communities" pilot project in Harvey and Blue Island, two severely disinvested communities that could be vastly improved by capitalizing on their extensive rail infrastructure and weakened yet resilient industrial base.

The potential for this pilot effort to reverse generations of decay amidst a brutal recession was not lost on the rest of Chicago's south suburbs. The two-town project soon evolved into a subregional redevelopment strategy called "The Green Transit, Intermodal, Manufacturing and Environment (TIME) Zone," which is grounded in four vital components: build and preserve housing near transit; link industrial and logistical growth to intermodel assets; encourage green manufacturing; and improve environmental outcomes.

Collaboration among public, private and nonprofit organizations throughout the Chicago region has dramatically improved the viability of the plan and attracted millions of dollars in private and public investment. The ongoing rejuvenation of Blue Island, Harvey and the rest of Chicago's Southland may very well be adapted to similarly challenged yet endowed communities elsewhere in the country. COD and TOD analyses have recently been replicated and tailored to meet the needs of Chicago's west suburbs and two metropolitan areas in Ohio. A national scan of rail-based assets will allow the American economy to grow globally competitive green industries in more sustainable ways, putting people back to work, cutting transportation expenses, fighting climate change, and curbing our addiction to oil.

Scott Bernstein
President

Kathryn Tholin
Chief Executive Officer

Rowing teams on the Cal-Sag Channel in Blue Island, which has become a popular recreational destination and the site of intercollegiate rowing competitions.

PHOTO: THE CITY OF BLUE ISLAND

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ON THE COVER: CANADIAN NATIONAL RAILWAY COMPANY

PHOTO: DAVIDSON/FLICKR

The south suburbs of Blue Island and Harvey offered a proving ground for the theory that linking transit-oriented development and cargo-oriented development could be an effective and sustainable economic revitalization strategy.

CHICAGO'S SOUTH SUBURBS:

NEW CROSSROADS OF OPPORTUNITY

What began as a pilot project initiated by a nonprofit organization in partnership with two declining low-income communities has become a 42-city redevelopment effort that is being duplicated in other regions. The potential of this effort to become a national model for redevelopment around historic freight and commuter rail assets was acknowledged in 2010 with a $2.4 million Community Challenge Grant from the U.S. Department of Housing and Urban Development (HUD).

AMERICA'S CITIES GREW UP around the railroads in the late 19th and early 20th centuries, a development pattern that allowed residents to live in walkable villages in the suburbs and commute via rail to jobs in the central city. Some suburbs were more residential while others were more industrial and used the rail network to ship their manufactured goods to other parts of the country. Dense neighborhoods grew up around rail stations in these cities and suburbs, and industrial workers were able to live and shop within walking distance of the plants where they worked.

Chicago plays a special role in the history of cities and railroads because more trunk lines crossed Chicago than anywhere else in the country. By 1950 there were 37 lines — so many that both the central city and the larger suburbs had a significant number of "union" stations served by two or more lines. In the south suburb of Blue Island, for example, passenger rail companies provided residents with frequent service to offices in downtown Chicago as well as factories all over the city's south side. Railroad yards and manufacturing plants surrounded Blue Island's downtown shopping district and

close-knit residential neighborhoods. Residential and industrial districts were able to co-exist because driving wasn't required — either by car or by truck.

In the early 1900s many American cities were shrouded by wood and coal smoke, exposing residents to ash, soot, and respiratory illnesses. But the south suburbs of Cook County enjoyed a particular advantage because of a "triple play" density of electric rail lines: 1) the Illinois Central Railroad's commuter lines were converted to electric power in 1920 as civic and business leaders sought to protect residents from "the evils of smoke"; 2) a vast network of electric streetcars offered high-frequency connections to the city and other suburbs; and 3) electric inter-urban railways served medium-distance inter-city routes.

As a result, the south suburbs were well-connected not only to downtown Chicago but to the rest of the state and to surrounding states. This connectivity enhanced the economic competitiveness and prosperity of what was known as the "Calumet Region," which would be recognized today as a "regional economic cluster" anchored by heavy steel, shipping and energy industries that supported thousands of specialized shops organized in value-added supply chains.

PHOTO: THE CITY OF BLUE ISLAND

Like many other cities and first-ring suburbs that were built up around rail across the country, Chicago and its southern suburbs began a slow decline as the car, cheap gas, and public policy encouraged sprawl and urban disinvestment. By the 1970s the south suburban area, also known as the Southland, was suffering devastating economic losses as the manufacturing industries at the core of its economy contracted and investment followed the interstate highways to exurban locations — leaving behind a legacy of environmental contamination, deteriorating buildings and infrastructure, and abandoned and vacant properties.

FOCUSING ON LEGACY RAIL ASSETS

Today, however, market and demographic trends offer older industrial cities and suburbs new opportunities to regain prosperity and clean up the environment by rediscovering their roots and once again focusing development and investment around their legacy rail assets. They can do this by linking "transit-oriented development" (TOD) — defined here as communities that integrate residential and commercial development around public transit — with "cargo-oriented development" (COD), a term coined by the Center for Neighborhood Technology (CNT) to describe development that can occur around freight rail, such as industrial and logistics parks. The south suburbs, for all of the reasons listed above, are especially well-positioned for a TOD and COD renaissance.

PHOTO: CNT FOR THE CITY OF BLUE ISLAND

The south suburbs have significant but undervalued historic assets: dense, mixed-use neighborhoods that were built up around rail stations; clusters of manufacturing and logistics businesses; underutilized land available for redevelopment; and a ready workforce of skilled laborers. The plan is to reorganize these assets as a regional economic cluster anchored by intermodal freight terminals, green manufacturing, and supportive businesses to provide jobs and prosperity for those who live nearby.

CNT launched its "Smart Growth in Older Communities" project — the topic of this case study — in the Southland communities of Blue Island and Harvey in 2004, believing they offered a proving ground for the theory that linking TOD and COD

could be an effective and sustainable economic revitalization strategy for disinvested communities. The south suburbs have both TOD and COD assets: frequent freight and commuter rail service; clusters of manufacturing and logistics businesses; dense, mixed-use neighborhoods near stations; underutilized land available for redevelopment; and a ready manufacturing workforce of both skilled and unskilled laborers.

The passenger and freight rail service that led to the founding of Blue Island and Harvey has kept the towns anchored to the region, and their workforce to the region's employers. Blue Island, in particular, has three commuter rail lines that converge at the main train station and offer more service to the Loop from one location than any other suburb except Evanston on the north shore. As Chicago proceeds with plans to redevelop the former site of USX Steel Works on Chicago's south lakefront and Illinois builds and expands a higher-speed inter-city rail network, all lines to the east will pass through the region. Meantime, the Chicago region and its rail carriers are investing hundreds of millions of dollars as a down payment on the billions that will be required to move freight on higher-speed grade-separated corridors through what is this country's largest inland port. With 500 freight trains and 700 passenger trains per day, these plans and facilities position the region to become a new kind of mixed-use, mixed-income crossroads of opportunity.

The railroads made Chicago the city it is today, and the plan to redevelop the south suburbs around these historic rail assets has attracted HUD's attention. HUD Secretary Shaun Donovan cited the initiative's potential to reduce the cost of living: "The partnership estimates the transportation savings of 2,500 households living in housing near transit will add over $6.8 million per year to the wealth of the region, **with energy-efficiency measures and** improved building codes reducing household expenses even further."

ILLUSTRATION: WACKER'S MANUAL OF THE PLAN OF CHICAGO

PHOTO: HUD/FLICKR

THE SMART GREEN PROMISE

As a result, the south suburban subregion is well-poised to demonstrate how to make the most of existing assets. There are 33 passenger rail stops with more in planning, a street grid that enables greater connectivity, and three intermodal yards, one of which is scheduled to triple capacity in two years. Many people still associate Cook County with dying industry but this case study proves otherwise: Southland manufacturers are serious about realizing the promise of a green "Made in America" label, elected officials and agency staff are adopting state-of-the-art "smart code" ordinances to make communities walkable, and there are 250,000 households in the south suburbs that help fuel the local economy by together providing $12 billion in purchasing power annually.

This case study tracks the project's start-up with pilots in two suburbs, and discusses the regional partnerships that developed and attracted public funding for predevelopment — eventually creating a pipeline of viable projects that has drawn the attention of developers and investors across several states. The 2008 recession halted investment and development in Chicago as across the United States. But the south suburbs couldn't be in a better spot to lure investment once the economy rebounds. What started as a TOD and COD planning exercise in two communities has expanded into a 42-member coalition of suburbs keenly interested in economic and environmental sustainability. This initiative has stirred up so much interest that it is now being duplicated by Chicago's western suburbs and the Cleveland and Columbus metro regions.

The momentum of this project is leveraging collaborations, plans, and projects that are bigger than what was ever envisioned at the start. HUD acknowledged the project's potential to become a model for sustainable community redevelopment that can be replicated in communities with commuter and freight rail assets, awarding it a $2.4 million Community Challenge Grant in October 2010. This is the story and the lessons learned during the first six years of the project.

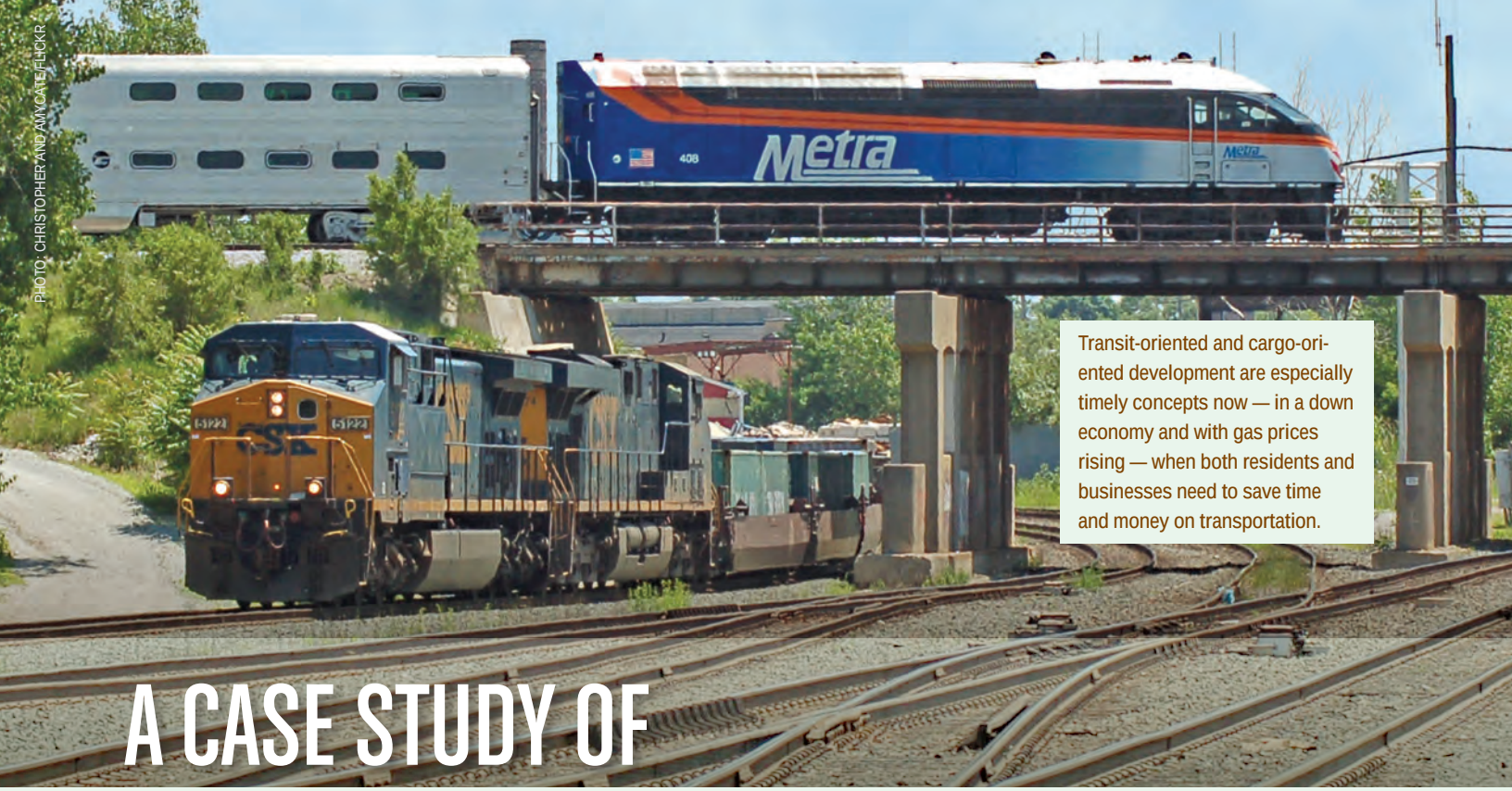


PHOTO: CHRISTOPHER AND AMY CATE/FLICKR

Transit-oriented and cargo-oriented development are especially timely concepts now — in a down economy and with gas prices rising — when both residents and businesses need to save time and money on transportation.

A CASE STUDY OF

LOCATION EFFICIENCY, TOD AND COD

Economic forces have encouraged the clustering of manufacturing businesses around nodes of intermodal freight transportation much as demographic changes have encouraged the clustering of housing, shops and services in walkable communities around passenger rail. This "location efficiency" appeals to businesses and residents who don't want to spend so much time and money on driving, whether by truck or by car.

"TRANSIT-ORIENTED DEVELOPMENT" or "TOD" — sometimes called a "transit-oriented district" — is typically understood to be a mix of land uses including shops and services and a variety of higher-density housing types in a walkable neighborhood within a half mile of a rail station or high-frequency bus service. "Cargo-oriented development" or "COD," as explained in the previous chapter, describes the redevelopment of manufacturing, logistics and other complementary businesses at sites with excellent access to multiple modes of freight transportation and a ready workforce. These development types have renewed currency in this economy because of the need to both live and do business more efficiently, to make use of existing resources and infrastructure, to reduce dependence on foreign oil, and to reduce emissions and traffic.

Demographic changes have boosted interest in TOD because American households are older and smaller — only 22 percent of households include two parents and children, while 78 percent are single-person households, or households without children. Because the U.S. population is more diverse, demand is swinging back to older urban and suburban neighborhoods that provide more amenities, housing, transportation and lifestyle choices. Because TOD clusters a mix of uses in neighborhoods with more housing and transportation choices, families can own fewer cars — or no cars — and spend less time and money on driving.

COD is an equally timely concept. While employment in the manufacturing sector has declined in the last 20 years, employment in freight transportation and value-added goods distribution has grown steadily due to rising fuel prices and the need for last-mile efficiencies that guarantee the delivery of goods on a time-sensitive basis. These same economic forces have encouraged the clustering of manufacturing businesses around nodes of intermodal freight transportation, and industrial parks are being built adjacent to intermodal freight terminals in Chicago, Southern California, and Dallas-Fort Worth, to cite three examples. While the largest of these new logistics parks have been built in exurban locations to take advantage of cheap land and easy site assembly, industrial districts in

PHOTO: CHRISTOPHER AND AMYCATE/FLICKR

Canadian National's terminal in Harvey: Shipping containers are transferred between rail and truck at intermodal terminals. Because goods in the containers may need processing, assembling or re-sorting for distribution, these freight terminals are anchors for supportive business clusters, and have been the fastest-growing segment of the freight industry for 15 years.

cities and older suburbs with good access to multiple modes of freight transportation are proving increasingly attractive.

There are other reasons that investment is coming back to older communities — including interest in lower-cost, healthier modes of transportation and the desire for "active environments" that allow people to integrate physical activity into their daily lives. The term that sums this all up is "location efficiency," a concept that is at the core of both transit-oriented and cargo-oriented development. Both minimize traffic by cars and by trucks because they catalyze investment in supportive clusters of shops and services for residents and supportive clusters of businesses that rely upon and service the freight industry. TOD and COD encourage the creation of location-efficient nodes around passenger and freight transportation that allow residents and businesses to save both time and money on transportation.

TOD and COD are complementary strategies, and linking them provides many benefits. By coordinating development around both passenger and freight rail, it is possible to once again create communities where workers can live and shop near where they work — minimizing the money and time spent commuting and helping to create local jobs, a thriving local economy, and a robust housing market. Connecting COD and TOD reduces car and truck traffic, air pollution and greenhouse gas emissions,

PHOTO: D.W. DAVIDSON/FLICKR

and provides opportunities for land swaps and other reciprocal planning activities that will result in an optimum mix of land uses and development in the right places.

Pursuing TOD and COD in a non-integrated fashion, however, can reduce development opportunity and even cause job loss: Many cities that have converted industrial land to residential or mixed-use have found that the only large-scale job-producing commercial development that occurs is big box retail. Once land has been converted it is difficult to attract

other goods-processing industries that need urban locations — including bakeries, print shops, building and equipment maintenance operations, wholesale and chain store distribution centers, and manufacturing that requires a highly skilled and professionally diverse workforce.

POOR COMMUNITIES RICH WITH ASSETS

Even though many southern suburbs are in economic decline, they are rich in transportation and industrial assets: Four commuter rail lines with 33 stations connect the Southland to Chicago's downtown Loop via a short commute. The lines are operated by the Metra suburban rail system on rights of way owned by eight freight railroads, and they pass through significant acreage zoned for industrial use. A proposed fifth rail line would add another nine stations, and when combined with the significant suburban bus service would link 90 percent of the south suburbs by transit.

Many people who live and work in the south suburbs are skilled in manufacturing, and tend to identify themselves as industrial or logistics workers. This workforce is a powerful attractor for businesses.

The Southland is also traversed by six expressways including I-80 — America's main truck freight corridor. In addition, the Cal-Sag Channel serves as the primary barge connection between the Great Lakes Port of Chicago and the Mississippi River, and provides a route for the shipment of heavy commodities through these communities. Both Midway Airport and the Gary-Chicago Airport in northwest Indiana are less than an hour away.

Intermodal freight terminals are where shipping containers are transferred between rail and truck. Because the goods in the containers sometimes require further processing, assembly or re-sorting for distribution, these freight terminals serve as anchors for clusters of industrial and logistics businesses, and have been the fastest-growing segment of the freight industry for 15 years. Three intermodal freight terminals are located in the south suburbs and a fourth terminal is proposed. In addition, many related businesses in the fields of metal-working and machine production, food processing and wholesaling, freight movement, and warehousing and distribution are located there. Within these business clusters relationships have formed. Managers know one another, and while they compete for business, they also cooperate, sharing ideas and know-how.

Moreover, many people who live and work in the south suburbs are skilled in manufacturing, constitute a large employment base, and can move from company to company. Compared to the Chicago region as a whole, a disproportionately high percentage of Southland residents have graduated from high school but not college. These residents tend to identify themselves as industrial or logistics workers, and are particularly attractive to businesses hiring entry-level or skilled non-management employees. The presence of this veteran industrial workforce, as well as new workers just entering the job market, is a significant attractor for businesses.

LESSONS LEARNED

Empirical Analysis Helps Build Consensus

CNT's Optimizer identifies place-based assets for TOD and COD and offers a framework for reorienting legacy land uses toward transportation assets. The analysis provided by this tool enables a development team to focus on high-opportunity projects, anchors community planning in realistic options, and presents compelling arguments for public and private investment by placing individual site decisions in a broader strategic context.

TOD/COD "OPTIMIZER" PROVIDES EMPIRICAL BASIS FOR SITE SELECTION

To identify which prospective partners in the south suburbs had the strongest TOD and COD potential, CNT in 2004 developed a computer program called the TOD and COD "Optimizer" that defined "ideal" TOD and COD types and ranked sites in all Southland station areas and industrial districts according to how well they matched the ideal. Statistical and geographic information system (GIS) tools were used to evaluate available data including: the type and size of industrial and commercial businesses, 1970-2000 U.S. Census data, and vacant or underutilized properties including acreage, ownership, tax status, and inclusion in conservation

areas or economic incentive zones. CNT considered only those towns where unemployment rates were at least 25 percent higher than the regional unemployment rate to ensure that assistance would be provided to those municipalities that had potential and also needed help.

For TOD sites, CNT analyzed the half-mile radius around stations, considering data on transit ridership, the number of vehicles owned per household, total households and aggregate income per acre, the number of convenience retail establishments, and the size of retail gaps or surpluses. For COD sites, CNT considered proximity to highways, transit, freight rail and intermodal freight facilities; whether sites required environmental remediation or were environmentally protected; the footprint and ownership of freight transportation facilities; the existence of economic incentive zones; the assessed and market values of industrial land in the area; and the characteristics of nearby industrial businesses and the local workforce.

This analysis and comparison resulted in a short list of five suburbs. CNT then completed a qualitative analysis of development opportunities in all five, reviewing local plans, visiting COD and TOD sites, and meeting with municipal officials and community leaders. Once the opportunities, challenges, interest and capacity of each town were assessed, Blue Island and Harvey were chosen as pilot projects. Letters of agreement were signed with the mayors, who agreed to work with CNT through an inclusive "bottom-up" planning process to develop a vision and sustainable redevelopment plan to be implemented by the cities over the long term.

The stories of Blue Island and especially Harvey are typical of first-ring suburbs with economies that became trapped in a downward spiral of declining tax revenues as businesses and middle class residents moved to newer suburbs. Taxes in both towns were increased to make up for revenue shortfalls, but the higher rates served as a disincentive to new investment and development, making it difficult for them to compete with greenfields.

Fragmented property ownership and unassessed environmental contamination in both towns also created risks for prospective COD investors who would otherwise be keenly interested in the availability of vacant and underutilized property adjacent to intermodal facilities with supportive business clusters and an experienced workforce. And while there were TOD opportunities around the commuter rail stations in both Blue Island and Harvey, new development required an expensive reorganization and relocation of land uses, as well as investment in transit, pedestrian and roadway infrastructure.

SUMMARY OF OPTIMIZER VARIABLES

CATEGORY	TOD	COD
Land Use and Development Scale	Size and contiguity of vacant or underutilized properties; land fragmentation; average block size; land use diversity; housing density	Size and contiguity of vacant or underutilized properties; land fragmentation; industrial land use
Transportation Assets	Transit availability and ridership	Transit availability; proximity to expressway exits, freight rail, intermodal terminals, trans-load facilities and truck routes
Business Characteristics	Data on employment and sales for nearby commercial businesses	Data on employment and sales for nearby businesses; proximity to industrial and logistics businesses
Demographics	Aggregate household income; H+T costs; foreclosures	Educational attainment of workforce; employment sectors

CNT's TOD and COD "Optimizer" is a computer program that provides an empirical basis for selecting development sites, thereby helping to build consensus on which sites to prioritize for development. The Optimizer analyzed all TOD and COD variables indicated above and came up with a short list of suburbs to consider as pilot projects.

PHOTO: CNT

After completing a quantitative and qualitative analysis of TOD and COD development sites, CNT selected the south suburbs of Blue Island and Harvey. Blue Island fronts the Cal-Sag Channel.

INITIATIVE BEGINS WITH PILOTS

IN BLUE ISLAND AND HARVEY

Creating a shared vision through a bottom-up planning process that aligns all community stakeholders creates the momentum necessary to overcome the obstacles and complexity of community development. Stakeholders in Blue Island and Harvey met once a month for a year to reach consensus on their visions, the first step in what would prove a challenging planning and development process.

BLUE ISLAND: CHARMING, AFFORDABLE

Blue Island is an ethnically and economically mixed community that is well-served by high-quality transit. Ninety trains traveling three Metra lines converge at Blue Island's principal station, and travel daily to the south and west ends of Chicago's Loop. The Vermont Street station is only two blocks from Blue Island's charming and historic downtown — though it is a steep uphill climb with a poorly designed street crossing.

Nevertheless, the town's 100-year-old street grid encourages walking and biking. In addition, the relatively high residential density provides customers for more than a hundred businesses, and the downtown is anchored by a regional hospital employing 1,400 workers and a community college, as well as the City Hall and public library.

The housing stock is diverse and mostly high-quality. Housing prices have remained affordable and relatively stable — though rent and sales prices are lower than in some neighboring communities and significantly lower than the regional median. Relatively few foreclosures have occurred in the recent market downturn, in part because the high-quality transit service makes it possible for residents to own one less car or no cars, which lowers household transportation costs and increases financial security.

Industry has always been a major sector of the economy of this 175-year-old town, and several businesses were founded more than a century ago by families who still operate them in the same locations. There are three rail-served industrial districts within the town's boundaries, including an 87-acre landfill, now closed, that is owned by the city, and a small intermodal terminal. The landfill is Blue Island's principal COD opportunity but needs an environmental assessment and remedial action plan before it is ready for development.

Five industrial businesses occupy 14 acres within a quarter mile of the town's downtown rail station — an inconvenient arrangement in an otherwise bustling residential and commercial neighborhood. The Cal-Sag Channel, which runs through downtown within a quarter mile of the station, has the potential to become an attractive riverfront and TOD opportunity, though most of the land is currently vacant or used as surface parking for the Metra station.

HARVEY: LINCHPIN IN THE FREIGHT HUB

While industry has also played a big role in Harvey's economy, in 2010 the town's unemployment rate was among the highest in metropolitan Chicago and household income among the lowest. However, if any Midwestern city has development potential because of its transportation assets, it is Harvey.

Blue Island has more passenger rail service than any Chicago suburb except for Evanston on the north shore, and is both charming and affordable, with a compact built environment that can attract more amenities and housing.

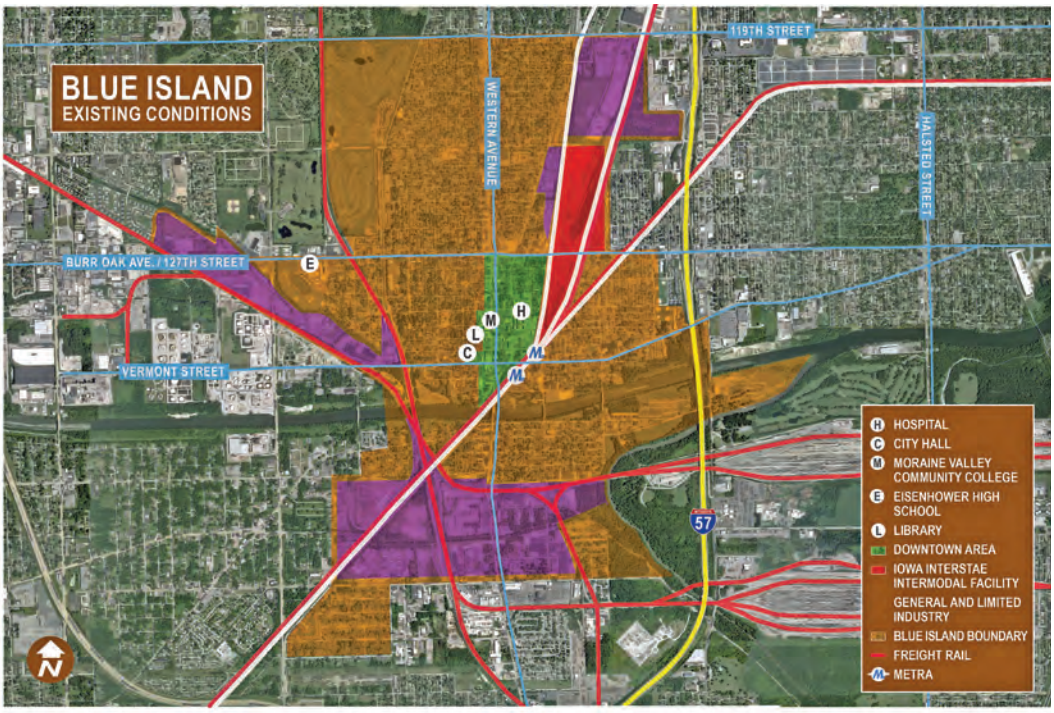


ILLUSTRATION: CNT

Three expressways and four national highways pass through the town, which is also served by four freight railroads and an intermodal facility that transfers 400 containers to trucks daily.

A number of manufacturing and logistics businesses are located within a two-mile radius of this terminal, including a UPS sorting facility, businesses that provide third-party product distribution, and companies that offer specialized product handling and equipment maintenance services for freight carriers. There is a heavy concentration of metal-working, food-processing and chemical-processing plants, and there are major rail-car switching yards and another large intermodal facility in a neighboring community.

The city includes 180 acres of industrial land that have been vacant for 20 years because of fragmented land ownership and probable environmental contamination.Two previous attempts to assemble 40 acres north of the intermodal terminal were unsuccessful in part because of the possibility that the cost of environmental clean-up could exceed the land's market value — a situation that typically requires up-front public investment to assess contamination and reduce risk for investors. Moreover, Harvey's tax rate on industrial property is among the highest in the state. Most of the larger remaining businesses have secured tax abatements — benefits that could be extended to new development.

Metra commuter rail connects Harvey's two stations to the Loop with 40 trains a day, and the downtown station is across the street from a hub for suburban bus service. The TOD potential is constrained, however, because the downtown is no longer a residential or commercial center. Residents live in low-density single-family neighborhoods surrounding Harvey's main street, which was once lined by more than 100 stores but is now mostly vacant. Harvey's relatively successful commercial districts and Ingalls Hospital — a major community asset — are located along arterial highways that effectively border the city on all four sides.

LESSONS LEARNED

Bottom-up Planning Creates a Shared Vision

A planning process based on TOD and COD analyses, local leadership and participation by a broad group of stakeholders is the first step toward realizing a community's ambitions. It can also help win the support of elected officials and the interest of developers. These plans, however, are only the first step in a challenging redevelopment effort.

A SHARED VISION IS ESSENTIAL

The bottom-up planning process in both towns began with the formation of stakeholder working groups that included residents as well as property owners, large employers and other businesses, community and social service organizations, elected officials and agency staff. CNT and its municipal partners worked with Farr Associates, an architecture and planning firm, to build consensus around a community vision for each town. More than 100 residents participated in planning sessions that included visual preference surveys, "SWOT" analyses of each town's strengths and weaknesses, and design charrettes. The

working group in each community met with CNT every month for a year to develop a plan for realizing their vision through sustainable economic development focused on TOD and COD.

MAKING ROOM FOR TOD IN BLUE ISLAND

Stakeholders in Blue Island want their riverfront to become a main attraction with walking and bike paths from the waterfront to the rail station, downtown and a new housing development on the eastern edge of the city — all located within a mile of each other. They would like to see the construction of good-quality townhomes, condos and rental units around the main commuter rail station, which is close to the commercial district, the regional hospital, and the waterfront. Stakeholders felt that streetscape improvements could make the two-block uphill walk from the station to the downtown and hospital easier and more enjoyable.

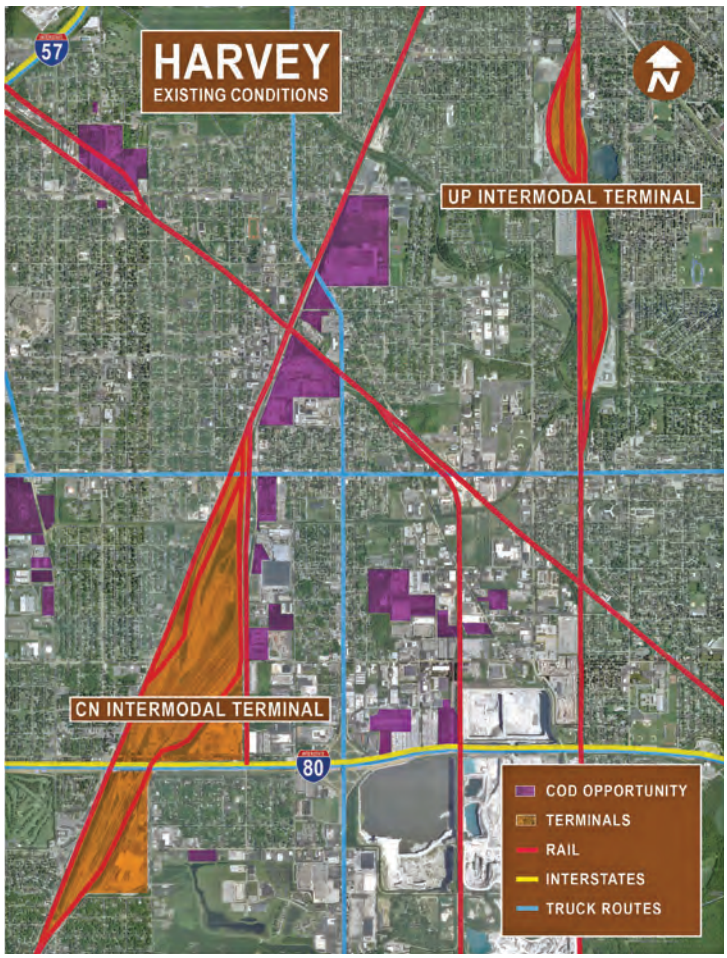


ILLUSTRATION: CNT

Harvey is the linchpin in the south suburban freight hub, and includes many acres of industrial land near major intermodal terminals and freight connections. If any Midwestern city has development potential because of its transportation assets, it is Harvey.

Stakeholders also want to free up property in the station area for transit-oriented development by moving the five industrial businesses near the station to new industrial sites in what would become the city's largest new COD district. Blue Island has three rail-served industrial districts, two of which are mostly occupied by businesses, with only a few smaller infill development opportunities. The third consists of the city's 87-acre landfill, which is closed and mostly vacant. Residents hope that this site, which is now slated for redevelopment as a LEED-certified industrial park with a mix of logistics and light manufacturing businesses, will generate a significant number of jobs. The site is adjacent to a small intermodal freight terminal with rail-car service, and is within a quarter mile of an expressway ramp.

Stakeholders also would like to enlarge a downtown park so that it can serve as a town square, install landscaping and traffic-calming features, and move parking lots onto back streets or into shared parking structures to make it easier to create a vibrant, pedestrian-friendly business district. The goal is to improve quality of life for residents as well as make the town more attractive to commuters and workers who may be willing to spend more time and money in Blue Island.

FOCUS ON CARGO-ORIENTED DEVELOPMENT IN HARVEY

The priority of Harvey's stakeholders is to return 200 acres of vacant industrial land to full productive use by attracting manufacturing plants that need access to Harvey's freight infrastructure and value-added distributors that process or assemble goods. Econometric models project that restoration of just one 38-acre site could generate more than 300 living wage jobs, $165 million annually in economic activity, and $4 million in annual revenues for local government. However, highway access to industrial sites will have to be redesigned to route truck traffic away from residential neighborhoods, and stakeholders would like to separate residential and industrial districts with green buffers. Residents also want agreements with new businesses and employers to include local hiring provisions.

Harvey stakeholders also want to revitalize their downtown, recognize the value of the Metra station and suburban bus hub in its center, and understand that the existing negative conditions discourage new investment. Accordingly, Harvey's phased redevelopment plan begins with greening the streets, and rehabbing mixed-use buildings within a two-block radius of the bus and rail stations. Subsequent development will expand outward block by block all the way to Ingall's Hospital, a mile from the Metra station. Achieving this community vision could take as long as a generation.

PHOTO: CNT

Neither Blue Island nor Harvey had the staff or expertise required to carry out an ambitious redevelopment strategy. Neither did they have **the financial resources to do the** necessary predevelopment work.

THE ROAD TO REDEVELOPMENT:

RESOURCES AND RISK

The challenges faced by communities that have experienced years of environmental contamination, disinvestment and declining budgets should not be underestimated. It is extraordinarily difficult to find the resources to assess and remediate former industrial properties to make them competitive with greenfields. These investments must be made because, as this case study suggests, one of the most renewable resources in this country is community.

THE REDEVELOPMENT PLANS PREPARED for both cities covered a ten-year time horizon. Blue Island and Harvey were well-aware of the extraordinary difficulties of implementing even the best of plans in lower-income communities with constrained resources, and they understood that because of brownfield conditions at priority sites implementation could take even longer. Neither city had the financial resources to underwrite the predevelopment tasks — including environmental assessments, clean-up, land assembly, and infrastructure improvements — necessary to make these properties attractive and competitive with greenfield sites. Developers and investors view these predevelopment costs as externalities that don't belong on their spreadsheets, and expect cities to cover these expenses.

Although both cities needed state and federal funding to pay for predevelopment, neither had the staff or expertise to pursue it. Writing grant proposals requires significant time, skill and effort, and funding often has to be cobbled together from multiple sources in order to pay for just one project — a complicated task because public agencies rarely coordinate funding programs and schedules. Moreover, financially strapped cities have a hard time providing the local match that is often required to win the optimal mix of financial support from regional, state and federal programs, some of which also require an expression of interest of commitment from private sector investors.

LESSONS LEARNED

Redevelopment Requires Expanded Local Capacity

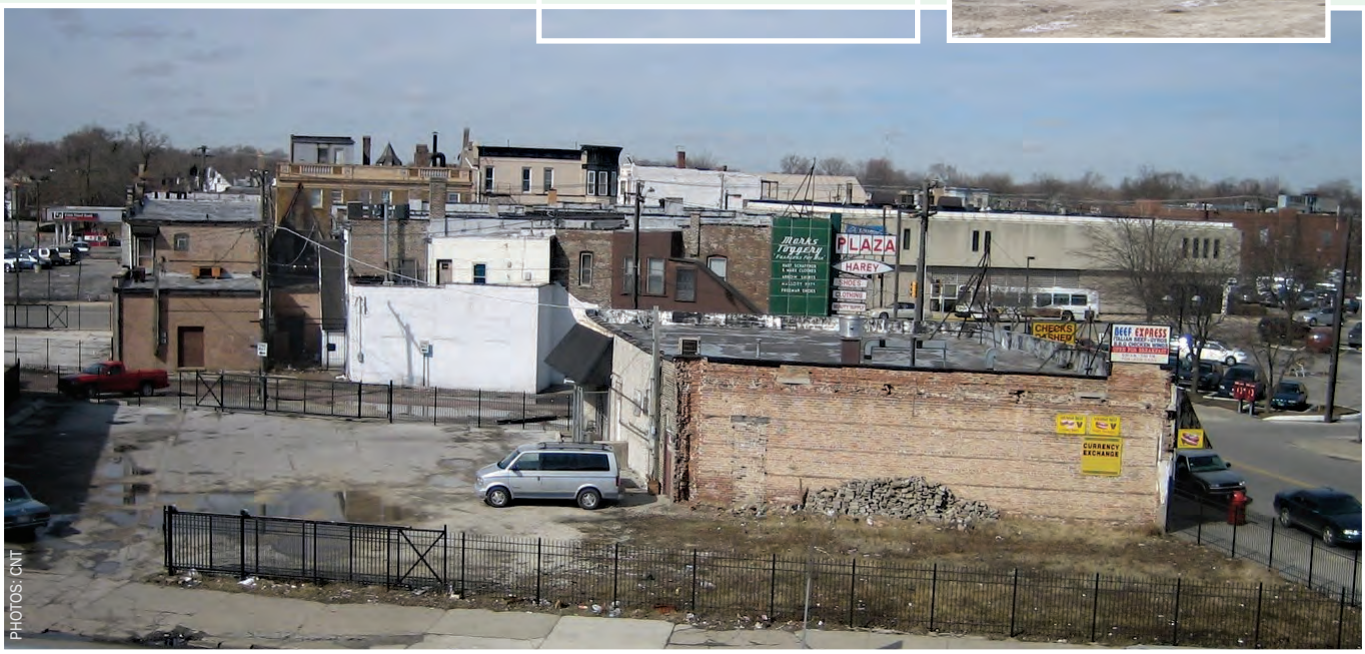
Smaller lower-income communities typically do not have the staff and consultants needed for an ambitious redevelopment strategy. The complexity of the development process requires sustained professional support and expertise in fields ranging from grant writing and financial analysis to real estate negotiations.

There's risk entailed in this expenditure of staff time and effort because the work is highly speculative. Most grant programs are oversubscribed and highly competitive and grants don't always provide much money relative to the effort required to obtain and administer them given cumbersome application and reporting requirements.

In 2004 neither city had a large planning staff: Harvey had only a planning director and planning commission. Blue Island hired its first planning director in 2005 and established its first planning commission. These staffs and commissions have been effective, but the pace of work required to engineer, fund and implement an ambitious redevelopment strategy can quickly overwhelm a small planning staff. Even cities with more resources and staff capacity often hire consultants.

Curb cuts were carefully limited, shared parking was prescribed, and landscaping standards were adopted for parking lots. Blue Island secured a planning grant from the Illinois Department of Commerce and Economic Opportunity to rewrite its zoning code and draft standards to support TOD. The proposed code for the central business district, which was still being revised when this case study was published, will prohibit uses that are not pedestrian-friendly — such as auto repair — and will require mixed-use and higher densities in new development along commercial streets, encourage the use of upper floors for residential and office purposes, promote shared parking, and require a minimum of eight dwelling units per acre in new development. It will also set standards for materials, landscaping and storm water infiltration.

Redevelopment plans in Blue Island and Harvey covered a ten-year time horizon. The cities were well-aware of the extraordinary **difficulties of implementing even the best** of plans in lower-income communities with constrained resources, and understood that **because of brownfield conditions at priority** sites implementation could take even longer.



PHOTOS: CNT

Nonetheless, the limited public funding that was available was used to reform zoning, begin brownfield investigations and remediation, and conduct detailed planning for specific parcels and development projects.

Both cities adopted TOD policies: Harvey created a TOD overlay ordinance requiring mixed-use development on its main street and townhouse-level density on side streets.

MOVING SITES AND PROJECTS INTO DEVELOPMENT

With the help of CNT the two towns mapped their development sites, and categorized existing businesses by type. But the towns lacked the detailed, parcel-level information that could help match available sites and buildings with interested developers and investors and provide them with the information they needed to do cost-benefit analyses. Fortunately, the

towns were able to collect this detailed information using mapping technology made available by the Chicago Metropolitan Agency for Planning, the land-use and transportation planning agency for the seven northeastern Illinois counties. The creation and management of site inventories is a challenging task, but even a small town with limited financial resources can succeed with the help of supportive agencies that have GIS capability. Blue Island eventually created its own GIS system, a task that is beyond the ability of most small, disinvested cities.

The cities were now in a better position, having increased their planning capacity and understanding of the market, and having reformed their zoning and entitlement processes. With the aid of some government funding won early on, they were able to secure priority sites and begin redevelopment. Not every project required an extensive public-private effort, and between 2006 and 2008 some private developments were quickly approved while the towns began the more intensive effort needed for projects that required publicly funded predevelopment work.

SIMPLE, MOSTLY PRIVATE PROJECTS

Blue Island attracted an Aldi's supermarket — for which the planning commission required pedestrian-friendly design — as well as a mid-sized Hispanic supermarket, a mixed-use building with ground floor retail and storage space on the upper levels, and a building that houses several small manufacturers and distributors. Fay's Point LLC, a market-rate residential developer, built and sold 36 riverfront townhomes without help from the city, demonstrating the demand for compact, high-quality housing. In the meantime, a coalition of watershed preservation activists, rowing enthusiasts, and transportation advocates were working to make the Cal-Sag Channel in Blue Island a popular recreational destination. The channel has become the site of intercollegiate rowing competitions.

Harvey approved several proposals developed by private investors without help from the city. A third-party logistics company named Fore Transportation established a business that handles the shipping and storage of cargo routed through the Canadian National Gateway Intermodal Terminal in Harvey. Fore Transportation also acquired a 30-acre block of vacant industrial land adjacent to the Canadian National terminal with the expectation that there would soon be expansion opportunities. Allied Tube, Harvey's largest employer, built a 500,000 square-foot distribution center. The city also approved a retail-residential center with six stores and 12 townhomes adjacent to the city's second rail station.

COMPLEX, PUBLIC-PRIVATE PARTNERSHIPS

In 2006 Harvey and CNT began discussing how to redevelop 57 acres that straddled the town's boundary with the neighboring village of Dixmoor. The property lies within 1.5 miles of two intermodal terminals and two expressway ramps, and is directly served by two freight railroads. It is called the "Wyman-Gordon site" for the machine manufacturer that operated in this location for more than 40 years before abandoning the site and

ILLUSTRATION: FAY'S POINT LLC/OKW ARCHITECTS

The master plan for the Fay's Point development on a peninsula at the convergence of the Cal-Sag Channel and the Little Calumet River. Near historic downtown Blue Island, the peninsula has trails, a canoe launch and marina, restored wetlands, woods and prairie.

its environmental problems. The location would command high market value as a COD site if the extent of the environmental contamination were known and remediated. This situation illustrates the difficulties older communities face when preparing industrial properties for redevelopment, and the creative problem-solving required to move forward.

A city can't apply for public funding to do environmental clean-up unless it owns the contaminated property, but by 2006 the two towns had acquired the Wyman-Gordon site utilizing a Cook County program that allows municipalities to acquire tax-delinquent properties with no-cash bids. In 2007 Harvey and

Fay's Point LLC, a market-rate residential developer, built and sold 36 riverfront townhomes without help from the city, demonstrating the market for compact high-quality housing, and capitalizing on Blue Island's natural assets.

Dixmoor signed an intergovernmental agreement to redevelop the site, while the owner of the remaining 20 percent agreed to support the redevelopment. The towns enrolled the property in the state Enviromental Protection Agency's (EPA) voluntary Site Remediation Program; the site would be cleaned up under state supervision and then receive a "No Further Remediation" letter stating the cleanup was satisfactory and the owner had no further responsibility.

PROMISING BUT CHALLENGING PROJECTS

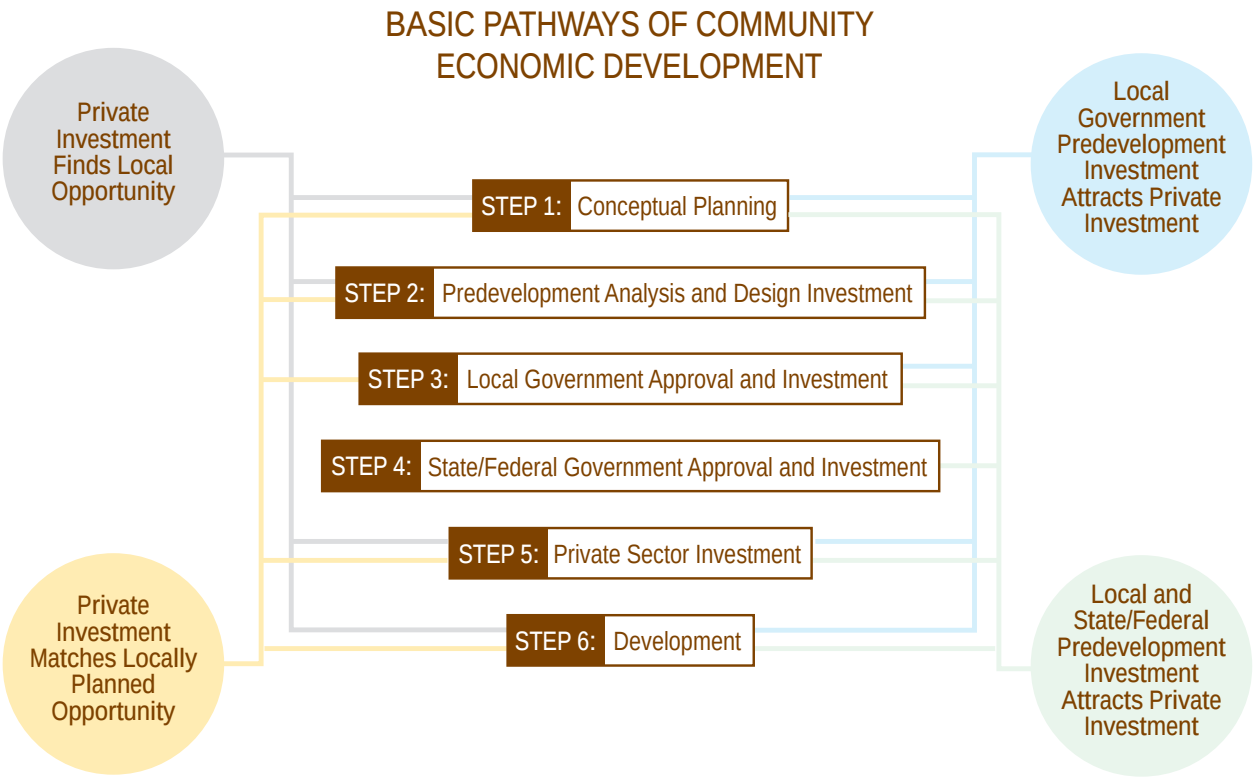
The challenges faced by communities like Blue Island and Harvey that have experienced years of environmental contamination, disinvestment and declining budgets should not be underestimated. In Harvey, for example, there had been extensive Phase I and II environmental assessments of the Wyman-Gordon site site over a period of years — indeed there was a bookshelf lined with 20,000 pages of technical assessments. But it took the dedication of a pro-bono consultant from an engineering firm named Weaver-Boos to read and summarize all the reports, understand what was missing, and secure U.S. EPA assistance to complete the Phase II assessment.
With this assessment of the entire site, Harvey and Dixmoor together sought and received state EPA approval for a remedial action plan, a $200,000 U.S. EPA clean-up grant, and $600,000 from a revolving loan fund managed by the subregional council of governments, the South Suburban Mayors and Managers Association (SSMMA). This funding covered most of the estimated $1 million clean-up cost.

Blue Island's 87-acre landfill provided a development opportunity at least as promising and complex as the Wyman-Gordon site. It had the potential to be developed as a logistics-industrial park, and linked to a privately owned strip of vacant land that had strong commercial development potential.

LESSONS LEARNED

Community Redevelopment is Complex

Former industrial properties must be made competitive with greenfields to attract private investment. In order to complete the predevelopment work that is required lower-income communities have to assemble funding from diverse and uncoordinated public sources, and often have to mortgage future tax revenues through the use of tax increment financing, tax abatement programs, or municipal bonds.



One redevelopment strategy called for joining this commercial frontage with ten to 20 acres of city-owned property, an arrangement that would allow both sections to be developed in tandem, with tax revenues from the retail development subsidizing the cost of the industrial development.

In 2006 the city issued a request for proposals for the redevelopment of the landfill, now called the Northeast Industrial-Commercial District, and chose two companies, one commercial and one industrial, with successful track records for large, complex projects. As part of the industrial development agreement the city established a tax increment financing (TIF) district covering both properties to provide tax revenues that could be used to help fund infrastructure improvements. Blue Island also secured more than $600,000 in grants from both the state and federal EPAs to assess the site. However, assembling the commercial land proved harder than expected, and it became apparent that sections of the landfill would be more expensive to redevelop than had been anticipated, delaying the project until the recession stalled it altogether.

Land assembly and financing challenges also continued to stymie the redevelopment of Blue Island's station area and downtown. Large portions of the land surrounding the station were owned by industrial businesses and the Metropolitan Water Reclamation District (MWRD). The industrial owners weren't interested in relocating without strong financial incentives, and MWRD policy prohibited the agency from selling or redeveloping agency land. But there was progress: Blue Island obtained permission from Metra, the suburban rail operator, to redevelop eight acres of underutilized parking lots at a prime riverfront location without requiring the city to provide replacement parking. The city also succeeded in leasing waterfront property owned by the MWRD to ensure it wouldn't be leased for inappropriate uses.

LESSONS LEARNED

Increase State and Federal Funding for Redevelopment

Today the bulk of public funding that is used for predevelopment in lower-income communities comes from local tax revenues – through tax increment financing and tax abatement programs, for example. This burden is unjust and state and federal support for redevelopment should be increased and delivered in a coordinated, efficient and predictable manner to make it easier for all communities to access.

Blue Island continued to seek public funds to implement its downtown TOD plans — with mixed success. The city secured more than $1 million from state and federal programs to plan and implement limited streetscape improvements, to assess brownfield problems in the area planned for TOD, and to create a downtown district marketing plan. But no public funding was available for land acquisition, business relocation, or structured parking. Blue Island was reluctant to cover these costs by creating yet another TIF, and in the absence of significant public commitments, redevelopment plans languished.

In 2008 Blue Island experienced a crisis when the not-for-profit St. Francis Hospital, the city's largest employer, threatened to close. After several months of intensive negotiations the hospital was purchased by an investor group and renamed the Metro South Medical Center. The new owners upgraded facilities and began to implement a business plan that relies on feeder clinics in nearby towns. As a for-profit enterprise, Metro South pays property taxes, and Blue Island has established a TIF district encompassing the hospital and train station to create a revenue source for improvements that could help attract private investment.

MORTGAGING THE FUTURE?

The complexity of these development projects illustrates the redevelopment challenges faced by small, older communities trying to undertake joint development and pay for the public portion of the projects. Both cities needed to raise millions of dollars before they could undertake the predevelopment tasks required to attract the interest of private developers.

The cities could resort to tax increment financing or to tax abatement programs, but this would mean, in effect, that they were mortgaging their futures to meet the needs of the present. If these measures failed to attract investors, the towns would have paid substantial professional fees and set aside the incremental revenue growth without public benefit. If the measures did succeed in attracting new businesses, incremental increases in revenue would probably not be available for government use for a generation.

In either case the "real" or inflation-adjusted income of local government would continue to decline, requiring higher fees and taxes if the cities were to continue to provide basic services. Harvey, for example, has one of the highest property tax rates in Illinois, largely due to the loss of industry as well as the loss of revenues from tax abatements and tax increment financing.

This downward spiral can be arrested and reversed only when new development linked to tax abatements or tax increment generates sufficient spin-off investment to compensate for the lack of direct revenue growth or retire public debt faster than anticipated. Because state and federal support for community development is very limited, low-income communities like Blue Island and Harvey are forced to take on risks and make hard choices. Fortunately, partnerships and collaborations among municipalities can help mitigate these burdens and expand opportunities.

LESSONS LEARNED

Sustained Redevelopment Requires a Pipeline of Projects

In order to sustain the complex and lengthy redevelopment process, community-regional partnerships need to maintain a pipeline of projects in various stages of redevelopment. A region-wide database should be used to track projects as they go through the community planning process, predevelopment, outreach to investors, and construction.

PHOTO: D. W. DAVIDSON/FLICKR

Both cities needed to raise millions of dollars before they could undertake the predevelopment tasks required to attract private developers. Developers and investors view predevelopment costs as externalities that don't belong on their balance sheets, and expect cities to cover them.

PHOTO: LAURENCE PEARLMAN © 2011

As maturing projects proved that these development opportunities could be realized, more TOD and COD sites in more communities entered the pipeline, and this expanded inventory succeeded in winning the attention of more investors.

PROJECTS FLOW THROUGH

DEVELOPMENT PIPELINE

As this initiative grew to include the South Suburban Mayors and Managers Association (SSMMA) and its member cities it became clear that an expanded partnership could command significantly more attention and funding, and leverage more relationships and resources, than any one city could on its own. Moreover, the SSMMA could access capital from higher levels of government that wasn't available to individual cities, but only if a pipeline of projects existed.

BY 2007 THE ELEVATED PROFILE of the opportunities created by linking TOD and COD in Blue Island and Harvey drew the attention of SSMMA, the subregional council of governments that helps its 42 member municipalities address issues ranging from housing and economic development to social and environmental problems. SSMMA and the Chicago Southland Economic Development Corporation (CSEDC), its economic development affiliate, joined the effort begun by CNT in Blue Island and Harvey, with the goal of advancing the state of the practice in the pilot cities, attracting new resources, and expanding the program to include more communities.

CNT and SSMMA utilized a three-prong strategy to achieve these objectives. First, CNT's Optimizer was used to identify COD and TOD opportunities. Second, the expanding inventory of potential sustainable redevelopment projects was used to attract the interest of public-sector program managers and private investors. Third, maturing projects in Blue Island and Harvey were proof that emerging opportunities could be realized.

COD AT A SUBREGIONAL LEVEL

CNT applied the Optimizer to data on all the industrially zoned land in the south suburbs and identified potential COD clusters

of more than five contiguous acres of vacant industrial land located close to significant freight transportation assets. Two hundred sites encompassing more than 3,000 acres were identified and ranked according to how closely they matched an "ideal" COD site. Two basic types of COD opportunities emerged: "Distribution CODs," primarily located close to intermodal terminals with opportunities for the processing, assembly, warehousing and distribution of products, and "manufacturing CODs," which were primarily located on rail lines near expressway ramps, allowing raw materials to be delivered in bulk and shipped as finished goods. This new inventory of sites generated substantial interest in the public and private sectors.

To turn this interest into investment, SSMMA and CNT met with officials in the ten suburbs where most of the COD opportunities were located. Additional research was completed on each site to assess the availability of water and power infrastructure, and to determine the historical use of the land and extent of any contamination, the existence of any plans, current uses, and the readiness of the owner and municipality to move forward with development. SSMMA tracked the progress of each site through the predevelopment process in order to match sites to available resources and promote them to investors.

PHOTO: JEFFREY ZOLLINE ZOL87/FLICKR

ILLUSTRATION: FARR ASSOCIATES

CNT's Optimizer was used to categorize station areas along three commuter rail corridors into four basic "types," creating a station typology that informed planning efforts by setting parameters for the scale and type of development that could be expected – without expensive planning efforts for each station.

TOD CORRIDOR OPPORTUNITIES

The Optimizer was also used to categorize station areas along three commuter rail corridors into four basic "types" of suburban TOD:

- *"Town Center TODs," typically located on main streets with frequent transit service, relatively high commercial and residential density, a good mix of uses, and a pedestrian-friendly environment;*
- *"Community Area TODs" with relatively frequent transit service, moderate density, and neighborhood-serving retail and services;*
- *"Residential TODs," with relatively low density and fewer retail or services businesses; and*
- *"Open Potential TODs," with extensive vacant or under-utilized land for development.*

This suburban TOD "typology" could help inform development efforts by setting parameters for the scale and type of projects that could be expected without the need for expensive station area planning efforts at each station. Moreover, assembling the information about all stations areas and how they related to each other provided a "big picture" view that allowed for planning and development to move forward at one station with an understanding of what was planned for other stations along the corridor or adjacent corridors.

With this broader perspective, community leaders could see how the types of districts built around their stations would relate to the development planned for other stations. Towns with TOD plans could sharpen their focus on implementation, while communities that weren't so far along could observe the types and scale of projects being planned and built at other stations. This typology and analysis positioned SSMMA to secure $300,000 in grants from the Regional Transportation Authority and Cook County to draft a TOD implementation plan, promote near-term development opportunities at stations with high redevelopment potential, and describe a range of opportunities to investors. SSMMA also secured $8.9 million from the federal Neighborhood Stabilization Program to rehabilitate 320 homes, and directed the funding to transit-oriented communities where households could save money by owning fewer cars — or no cars — thus enhancing their financial stability and the stability of the neighborhood.

This research and analysis proved useful because it was developed with a large and collaborative group of supportive

organizations that were able to effectively promote the opportunities to public and private investors. Both SSMMA and CNT maintained working relationships with regional nonprofit organizations that had expertise in development as well as relationships in the Chicago area business community, and these organizations became engaged in some of the projects.

SSMMA's economic development affiliate, the CSEDC, held quarterly meetings that began to consistently attract more than 150 participants and that became a major networking opportunity for municipal officials, business owners, government program managers, developers and private investors. A CNT website designer developed portals for SSMMA and CSEDC

LESSONS LEARNED

Partnerships Between Local Communities and the Region are Essential

Community partnerships with regional governments are the best way to address the lack of local capacity. Local governments can engage the community, provide legal authority and local knowledge, and financial commitments, while regional governments can help provide expertise, funding from a broader array of sources, and access to private investors. Nonprofit organizations can also be valuable partners.

so that COD and TOD opportunities could be presented with enough information to capture the interest of investors. Even more potential investors were made aware of the south suburban opportunities when SSMMA and CSEDC began promoting them at business and real-estate trade shows. This now-robust promotional effort had begun with CNT's pilot projects in Blue Island and Harvey, and when SSMMA joined the effort the resulting collaborations and networks were able to leverage more resources.

PARTNERSHIPS PROVE POWERFUL

What the partnership between CNT and SSMMA made clear was that together the two organizations and the south suburban cities could command significantly more attention and funding — and leverage more relationships and resources — than any one city could on its own. SSMMA, for example, introduced officials from Harvey and Dixmoor to the consulting firm of Weaver-Boos, which provided the pro-bono assistance that qualified the Wyman-Gordon site for federal clean-up funds.

Moreover, SSMMA could access capital from higher levels of government that wasn't otherwise available to individual cities — but only if a pipeline of projects existed. To cite one example: SSMMA managed a $1 million Brownfields Revolving Loan Fund to provide zero-interest loans and sub-grants for brownfields clean-up. Prior to partnering with CNT, SSMMA had made only one loan in four years because cities had not completed Phase II brownfield assessments, a prerequisite for use of the revolving loan funds. After CNT and SSMMA became partners, the revolving loan fund awarded the balance of funds to the Blue Island and Harvey/Dixmoor projects in a combination of zero-interest loans and subgrants. The U.S. EPA then recapitalized the loan fund with another $1 million that SSMMA will invest in emerging cleanup projects.

SOURCES OF SUSTAINABLE COMMUNITY DEVELOPMENT INVESTMENT

FEDERAL

Department of Treasury: New Market Tax Credits, Community Development Financial Institutions

Environmental Protection Agency: **Brownfields** Remediation

Department of Commerce/Economic Development Administration: Infrastructure Grants, Economic Development Grants, Foreign Trade Zones

Department of Labor: Workforce Development

American Recovery and Reinvestment Act

Department of Transportation: Planning Infrastructure and Operations Assistance

Department of Energy: Energy Conservation, Alternative Energy Generation, Conversion to Green Manufacturing

Department of Housing and Urban Development: Community Planning, Housing Development Assistance

STATE

Department of Natural Resources: Green Space Preservation, Water Resource Management

Department of Transportation: Planning Infrastructure and Operations Assistance

Housing Development Authority: Low Income Housing Tax Credits, Multifamily Bond Program

Environmental Protection Agency: **Brownfields** Remediation and Prevention

State Treasurer: Low-Interest Loans

Department of Commerce and Economic Opportunity: Predevelopment Grants, Enterprise Zones, Workforce Development Incentives, Tax Abatements, and Low-Interest Loans

REGIONAL, COUNTY & COUNCIL OF GOVERNMENTS

Conduits for State and Federal Funds

Transit System Operations

Transportation and Land Use Planning

HOME Funds

MUNICIPAL

Community Development Block Grants

General Tax Revenues

General Obligation Bonds

Tax Increment Financing

Business Improvement Districts

PRIVATE INVESTMENT

Institutional Investors and Trusts

Brokers

Lenders

Developers

End Users

FUNDED DEVELOPMENT PROJECTS

Making communities "investment grade" necessitates a robust pipeline of development **opportunities and the requisite financing to cover various phases and activities. Finding financing for infill redevelopment projects is complicated by** the number of agencies and the funding cycles and unique application requirements of each.

LESSONS LEARNED

Public Support for Redevelopment Should be Coordinated

Public agencies that support community redevelopment should coordinate the delivery of resources, much like the federal agencies involved in the Partnership for Sustainable Communities have begun coordinating grant programs and schedules. This would make it easier for all communities to succeed, not just those that can finance redevelopment themselves.

While the SSMMA partnership was proving critical, another relationship was developing with the Metropolitan Planning Council (MPC), a regional business-backed planning group. MPC played a major role in the Green River Initiative, which was created by SSMMA and seven of its member municipalities that front the Cal-Sag Channel to develop the waterfront as a scenic, recreational and residential asset.

MPC leveraged its relationships in the business community to involve developers willing to donate their time to study the towns' development challenges and help define proposals for sustainable development along the riverfront. This SSMMA-led group learned from the planning work already completed by CNT and Blue Island, and worked with CNT and its consultant, the Hitchcock Design Group, to come up with recommendations for environmentally positive development in a document entitled the *Green River Pattern Book*. Development of the Cal-Sag waterfront is a key element of redevelopment plans in all seven suburbs along the channel.

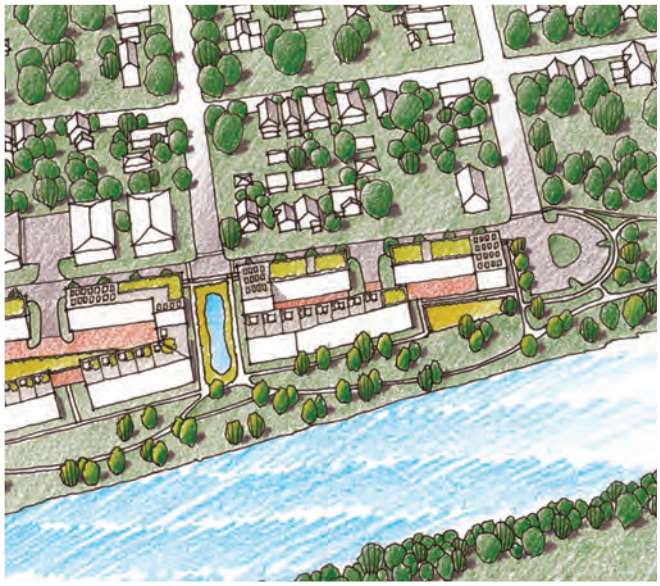


ILLUSTRATION: HITCHCOCK DESIGN GROUP

PHOTO: D.W. DAVIDSON/FLICKR

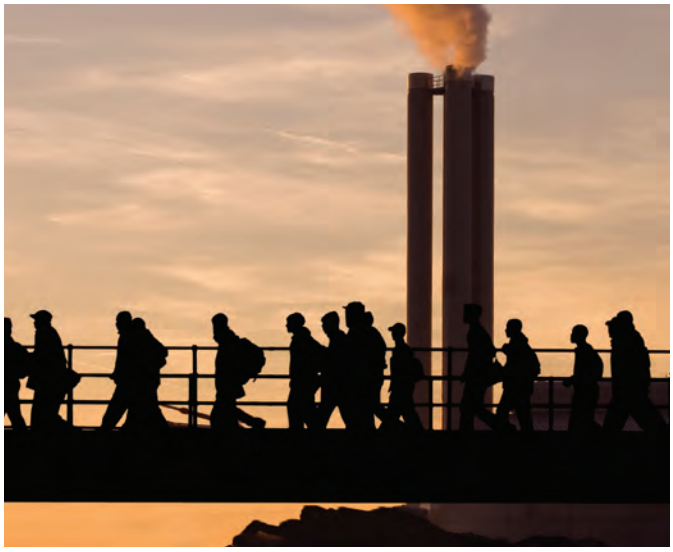
The recession hit just as redevelopment efforts were reaching critical mass and hard-won projects were about to move forward. TOD housing projects came to a halt, and the rules of the industrial development game changed when developers stopped constructing buildings for a speculative market.

These examples demonstrate the value of the partnerships that had developed. Blue Island and Harvey brought to the partnership an in-depth knowledge about available sites, the legal authority to develop them, and the financial resources provided by TIF and tax abatement programs. SSMMA, in turn, was able to provide the towns with additional staff capacity, access to public resources, and assistance in reaching out to technical consultants, investors and developers. CNT provided the COD-TOD framework for redevelopment, the required data and analysis, and staff support to help secure public and private investments.

A KINK IN THE PIPELINE

The 2008 recession hit just as redevelopment efforts were reaching critical mass and hard-won projects were about to move forward. The development company that was assembling properties on Blue Island's prime COD site contracted to a fraction of its size and abandoned the project. TOD housing projects in Blue Island and Harvey also stopped moving forward. The rules of the industrial development game changed when developers stopped constructing buildings for a speculative market and only built projects for which there were end users.

The impact of the recession was such that a new low-interest loan fund in Blue Island, which was to begin making loans in 2008 for credit-worthy projects that advanced TOD and COD plans in the city, still had not been used when this case study was published. The Blue Island Fund was created with commitments of $5 million from Blue Island's Great Lakes Bank and $5 million from the Illinois Finance Authority. Fortunately, the financial commitments remain in place, and money will still be available when the economy recovers.



Linking TOD and COD around historic commuter and freight rail assets allows residents and businesses to reduce transportation costs and vehicle miles traveled. This sustainable transportation and land use **planning provides for both economic and environmental benefits and** creates badly needed jobs at a critical moment in U.S. history.

The recession has devastated Chicago's south suburbs, as is reflected by high levels of unemployment, the number of homes that have been foreclosed, and the number of darkened downtown storefronts. However, the fact that this project continues to move forward — even during the worst national recession in 80 years — validates this new approach to sustainable redevelopment that is based on existing assets and community plans and collaboration.

Most of the projects advanced by this initiative had predevelopment needs that would have required public sector intervention as a prerequisite to private investment even if the market had been healthy. Public policies that have been in place for decades severely limit state and federal investment in community development, put funding programs in silos that make government resources difficult to access, and create heavy capacity burdens on developers in low-income communities. These policies have proven to be as much of

GRANTS AND INVESTMENTS RECEIVED

- *$10 million for a dedicated public/private loan fund*
- *$8.9 million in federal funding to combat mortgage foreclosures in TOD neighborhoods*
- *$5.7 million in private investment in COD*
- *$3.8 million in COD brownfields assessment and clean-up grants and zero-interest loans*
- *$2.35 million to increase SSMMA staff capacity and seed a sustainable development fund*
- *more than $1 million in TOD/shopping district streetscape grants*
- *$300,000 from the Regional Transportation Authority and Cook County for a TOD corridors plan*
- *$200,000 for TOD/shopping district brownfield assessment grants*
- *$150,000 in a grant to plan for the highest use of COD sites*
- *More than $7 million in private investment in TOD/shopping districts*
- *More than $25 million in private investment in COD*

LESSONS LEARNED

COD and Green Manufacturing Are A Natural Link

Older communities can translate the value of established manufacturing capacity and rail infrastructure into jobs and environmental improvements. Their rail assets and supportive business clusters are attractive to green manufacturers, who are choosing to grow their businesses on south suburban COD sites.

Revolving Land Acquisition and Land Banking Funds

Establishing these funds would help fill a gap in the redevelopment process, enabling lower-income communities to consolidate and maintain fragmented land parcels, secure funding for improvements to property, transfer the land to developers who can carry out community-approved plans, and recoup capital that can be used to restore other properties.

a barrier as the recessionary market conditions. However, CNT and its partners have pressed forward, and they have won support from the American Recovery and Reinvestment Act and other federal programs.

BIGGER PLANS

In the final analysis, the recession and the decline of the real estate market slowed but did not halt redevelopment. The towns had lacked both public and private resources before the recession began but by 2010 CNT and its partners had secured millions of dollars in government grants and zero-interest loans for predevelopment that will make sites ready-to-go. The initiative has also encouraged companies to make millions of dollars in private investments to capitalize on the Southland's emerging pipeline of projects.

Moreover, the COD and TOD plans are evolving into a more comprehensive initiative than had previously been imagined, the "Green Transit, Intermodal, Manufacturing and Environment (TIME) Zone." The Green TIME Zone expands upon the work that began in Blue Island and Harvey by encouraging manufacturers to shift from producing traditional goods to products that will move this country toward a green and sustainable economy.

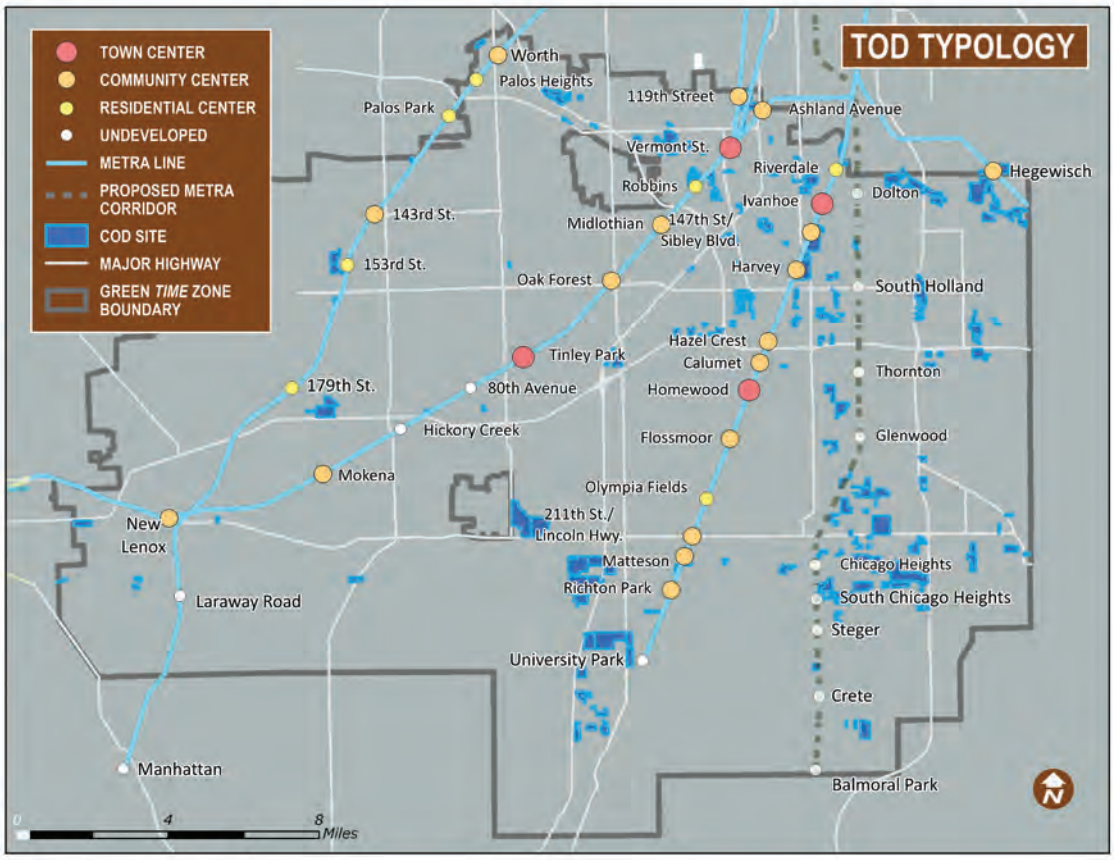


ILLUSTRATION: CNT

The Green TIME Zone is a livable reindustrialization strategy that includes a focus on building and preserving mixed-used districts near transit so as to reduce the combined cost of housing and transportation for area residents. The "typing" of station areas along Metra corridors established a subregional framework for thinking about the scale of development desired by communities that is also economically sustainable given the current supply of housing and retail businesses.

THE GREEN TIME ZONE: A LIVABLE REINDUSTRIALIZATION STRATEGY

The "Green TIME Zone" project expands the initiative that began in Blue Island and Harvey to support green manufacturing – with the goal of creating a supportive cluster of green businesses in Chicago's Southland. This livable reindustrialization strategy will green the nation's supply chain while creating jobs where they are needed most. It focuses on four components:

1 BUILD AND PRESERVE HOUSING NEAR TRANSIT

Developing new housing and preserving existing housing near transit is a top priority of SSMMA's South Suburban Housing Collaborative. The collaborative is focused on stabilizing neighborhoods threatened by foreclosures by implementing two key strategies: create a land bank that can maintain vacant and abandoned properties until they can be put back on the market, thereby minimizing the impact on the value of nearby properties, and establish a revolving sustainable development loan fund to pay for land assembly and redevelopment as TOD or COD.

2 LINK INDUSTRIAL/LOGISTICAL GROWTH TO INTERMODAL FREIGHT ASSETS

The TIME Zone strategy expands the freight focus of the original project by packaging the 2,000 acres of land identified by the Optimizer into a single business park called Logistics Park Calumet. This business park is centered in Harvey, and will be developed and promoted by SSMMA and CSEDC as a collaboration of member cities. The goal is to re-establish the south suburbs as one of America's principal freight hubs.

The Canadian National Railway Company plans to invest $20 million in its Gateway Intermodal Terminal, located in Logistics Park Calumet, to increase the yard's capacity from 350,000 container lifts annually to 1.2 million lifts by 2015 and to 2 million lifts by 2017, and to build 2 million square feet of warehousing and distribution facilities. These investments should generate demand for more logistics development on available COD sites outside the Canadian National facility.

Foreign Trade Zone status would make the park more attractive to logistics operators and manufacturers who process imported parts or raw materials, because it would reduce or defer import taxes and Customs filings. Likewise, establishment of a local U.S. Customs station would provide new jobs and eliminate the need for trucks to travel 72 miles roundtrip to O'Hare Airport, where Chicago's only customs station is now located. This would reduce the number of miles trucks travel by approximately 2.5 million miles annually, and reduce CO^2 emissions by 18,000 metric tons at build-out.

3 ENCOURAGE GREEN MANUFACTURING

The south suburbs are home to manufacturers that fabricate and assemble green products, including components for windmills, ultra-low-emission railroad locomotives, and battery-operated cranes. All of these companies would like to develop new product lines. The GreenTIME Zone will build on this foundation with the goal of creating other green manufacturing industry clusters in the Southland.

These green businesses are coordinating their efforts with CNT and the CSEDC through a collaborative named the Calumet Manufacturing Center, which wants to build regional networks of major manufacturers and suppliers of component parts as the U.S. transitions to a green economy. CSEDC and its partners are pooling their resources and attending conventions and trade shows to seek out international markets. They are also courting green manufacturers for COD sites in the south suburbs with the help of World Business Chicago, a public-private organization that coordinates business retention, attraction and expansion efforts in the Chicago metropolitan area.

4 IMPROVE ENVIRONMENTAL OUTCOMES

The Green TIME Zone will reduce truck travel and emissions because goods will be shipped by rail and related businesses and services will be clustered in centralized locations. Encouraging COD near historic rail assets is an important strategy for reducing the pollution from trucks, and re-using existing industrial sites makes more sense than creating new ones on greenfields. However, the increased activity also has the potential to increase levels of pollution in nearby residential neighborhoods, making the focus on green intermodal terminals and manufacturing centers especially important.

Fortunately, the green manufacturers operating in the south suburbs are keenly interested in applying their cutting-edge technologies to help reduce the pollution caused by freight movement. COD can help drive demand for their green products because the convenient rail and truck access and enhanced logistics at these locations reduce costs and increase reliability.

One of the most renewable resources in America is community – a form of social capital resulting from collective action. TOD and COD leverages this social capital to achieve sustainable prosperity with a "systems approach" that is replicable.

PHOTO: SPATIAL MONGREL/FLICKR

TOD + COD =

A REPLICABLE STRATEGY

Many people still associate south Cook County with the slow death of American industry, but this case study shows that underutilized land near legacy rail assets is undervalued and that Chicago's south suburbs could be the new crossroads of opportunity. Moreover, it suggests the enormous promise of a green "Made in America" label that could bring cities and suburbs sustainable prosperity.

THE ASSETS OF THE SOUTH SUBURBS were not widely recognized prior to 2004. But what began as a pilot project initiated by a nonprofit organization in partnership with two economically challenged industrial suburbs had by 2010 become a 42-city redevelopment effort working in partnership with all levels of government, and acknowledged for its potential to become a national model with a $2.4 million Community Challenge grant from HUD. The strategy of focusing on TOD and COD opportunities using CNT's Optimizer to provide an empirical basis for prioritizing development sites and reorganizing land uses around historical rail assets has shown so much potential that this initiative has survived the national recession and continues to gain size and momentum.

This is a time when government, the private sector and communities need to make wiser use of existing assets and redevelop them in a way that promotes better — and more sustainable — quality of life and economic development. TOD and COD can help achieve these outcomes because they embody the principle of location efficiency, which increases accessibility, convenience, transportation savings, and improved environmental outcomes. Positive results flow from more efficient connections between people and industry and the resources that are needed — whether this means more jobs, transportation and housing optionsfor commuters or a nearby cluster of supportive businesses and services for industry.

However, the resulting tide of opportunity must lift all boats — being inclusionary is essential. Stakeholders must be involved in creating the vision or it won't have the power needed to overcome the obstacles and complexity of community redevelopment. Moreover, the redevelopment process has to provide enough early victories that it can attract the notice of higher levels of government as well as private developers and investors. Making the south suburbs — or any community — "investment-grade" necessitates a robust pipeline of development opportunities that allows developers and investors to find the opportunity that best matches their interests and capacity. "One-off" projects aren't likely to attract the attention that is neccessary.

The success of this project suggests that one of the most renewable resources in America is community, which is a form of social capital that results from collective action. TOD is one form of social capital, COD is another. The bottom-line message of this case study is that the COD and TOD redevelopment model leverages this social capital to achieve sustainable prosperity with a "systems approach" that is proving to be applicable and replicable in many communities with commuter and freight rail assets. Many people still think of dying industry when they think of south Cook County, but this case study reveals the value of underutilized sites near legacy rail assets and the tremendous potential of a green "Made in America" label.

Communities are our most renewable resource, but if our community renewal activities are only focused on central cities and upscale suburbs they're unlikely to be sustainable. This case study tells the story of how this challenge is being approached in one subregion's older industrial suburbs with great promise that the Southland can rise to its former stature. The following recommendations will increase the magnitude of this opportunity in the Southland and in other communities across the country.

RECOMMENDATIONS

Make cargo-oriented development and job creation a focus of the federal DOT-HUD-EPA Partnership for Sustainable Communities.

Since this project began in 2004 the concept of sustainable economic development has entered the mainstream in the U.S., and is being encouraged by the federal government through its grant programs. The Partnership for Sustainable Communities, in particular, advocates an interdisciplinary and collaborative approach similar to that used in the south suburbs, with the goal of achieving complex outcomes that no single city or agency can accomplish on its own. These agencies are jointly allocating resources to make sustainable economic development happen, but the federal partnership lacks this project's important focus on jobs.

For this reason CNT will be advocating in the national transportation and urban development arenas and in Congress for policies and funding that support "location efficient" economic development around historic rail assets. The Partnership for Sustainable Communities should endorse cargo-oriented development as a preferred form of development in older industrial communities with freight transportation assets, underutilized land and a ready workforce. And the Partnership should fund a national scan that identifies regions with high COD and TOD potential so the south suburban pilot can be taken to scale and implemented in many places at once.

Cargo-oriented development should be promoted as a redevelopment strategy for communities with freight rail assets much in the same way that transit-oriented development has been promoted and implemented in communities with fixed-guideway


PHOTO: MICHAEL YOUNG/FLICKR

A bike race in Blue Island sponsored by the St. Francis regional hospital. Blue Island and Harvey have assets that were not widely recognized prior to 2004, when this project began. Communities are our most renewable resource, but if our renewal activities are only focused on central cities and upscale suburbs they're unlikely to be sustainable.

PHOTO: MI-JACK PRODUCTS

Logistics Park Calumet in Harvey includes 237 shovel-ready acres of underutilized land next door to the Canadian National Gateway Intermodal Yard, where shipping containers will be unloaded and their contents re-sorted or assembled for distribution, creating jobs and taking tens of thousands of trips off the interstate highway system.

transit systems. The benefits of COD are tangible. It has the potential to reshape the economies and environmental footprints of communities by creating jobs, personal income, and public revenue at the same time that it reduces vehicle miles traveled, eliminates millions of tons of emissions, and produces real savings in household budgets for area workers who can live near jobs that pay a living wage. COD is a strategy that complements TOD and can leverage increased benefits in communities with both freight and passenger transportation.

Making economic development and job creation a focus of the Partnership for Sustainable Communities is an essential first step. Expanding the Partnership to include the Commerce Department and its Economic Development Administration and the Department of Labor would be another critical development.

Establish unified federal and state programs, application processes, and schedules.

The experiences of Blue Island and Harvey clearly demonstrate that one of the greatest challenges facing disinvested low-income communities is that they haven't the staff or resources required to navigate the complex schedules and requirements of funding agencies. Grant programs at EPA, HUD, DOT and Federal Transit Administration (FTA) are announced at different times, have agency-specific application forms and unique reporting requirements. There's similar complexity with state and local funding programs. Following and responding to grant opportunities requires the allocation of significant staff time with no assurance of success, as the economic recession makes grant programs more and more competitive. Even cities with large staffs find the different HUD, DOT, FTA and EPA regulations confounding, and the resources of smaller low-income communities are much more limited.

In the end many municipalities have to resort to local funding sources such as TIF or tax abatement programs, because these tools are under their control and provide the flexibility needed to meet financing gaps within a predictable time frame. The downside, of course, is that it means they are in effect mortgaging their future by co-opting new tax revenues.

Cargo-oriented development in older industrial communities requires coordinated investments from an array of federal,

state and regional programs to assist with the assembly, assessment and clean-up of properties with environmental liabilities. COD also depends on the design, engineering and reconstruction of the intermodal connectors that link intermodal terminals and warehouses to the highway network. Success also requires the training of skilled and unskilled workers for positions created by growth in the freight industry. This pilot program suggests the return on this investment could be extraordinary in terms of economic and environmental sustainability and improved quality of life.

Establish research and development funds for businesses interested in transforming traditional products into green ones.

Many of the manufacturers that are interested in transitioning their products and services from conventional to sustainable and green need additional resources to help push innovation. In the Southland, for example, the National Railway Equipment Company, which produces the world's most energy-efficient freight locomotives, would like to expand into the passenger rail market, but funding is needed for research. Other green manufacturers also need help to meet design and efficiency challenges, and still others need help in securing public sector support and tax credits for building production capacity. For example, CSEDC and CNT are helping Funk Linko, a supplier of components for energy-efficient locomotives and wind turbines, assess its options for relocating to a larger plant with expanded production capacity in a Southland COD. Financial assistance is also needed to help companies advance product development and improve production capacity.

The federal Partnership for Sustainable Communities was established in part to coordinate resources and programs across agencies with the goal of making government funding more complementary and easier to access. It is still unclear whether this effort will be successful but the agencies in the Partnership need to continue to break down barriers between programs and establish new ones that build on innovative strategies like COD and TOD if older industrial communities are going to successfully participate in sustainable economic recovery.

The agencies of the federal Partnership for Sustainable Communities are creating new programs and collaboratively allocating resources to improve quality of life and transportation choices in American communities. Cargo-oriented development provides the Partnership with a ready-made and tested framework for creating permanent jobs in a manner consistent with the Partnership's "Livability Principles." As this case study illustrates, the barriers keeping communities like Chicago's south suburbs from achieving the promise of a collective vision are many. Partnerships with government at all levels — federal, state and regional — are key to realizing the promise.

PHOTO: THE CITY OF BLUE ISLAND

The proposed zoning code for Blue Island's central business district prohibits uses that are not pedestrian friendly, requires mixed-use and higher densities in new development, encourages the use of **upper floors for residential and office, and promotes shared parking.**

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As a creative think-and-do tank, we research, promote, and implement innovative solutions to improve the economy and the environment; make good use of existing resources and community assets; restore the health of natural systems and increase the wealth and well-being of people — now and in the future. CNT's unique approach combines cutting edge research and analysis, public policy advocacy, the creation of web-based information tools for transparency and accountability, and the advancement of economic development social ventures to address those problems in innovative ways.

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