

City Hall pushes changes to TIF regulations

The city's history with Tax Increment Financing Districts [TIF] has been shaded with opacity, offering a mixed bag of good and bad projects, and agendas for spending those billions in TIF dollars.

Created with good intentions to spur on development in blighted areas of the state, TIF's were quickly exploited in Chicago by monied interest who decided that despite their opulence, areas like the Loop, Lincoln Park and Lakeview were really blighted. No really, they are.

Each year, the City siphons off hundreds of millions of dollars in property taxes through the TIF program that would otherwise

go to various taxing bodies like schools, parks and libraries. In taking those dollars off the table, other properties not located in the TIF zones are forced to make up the difference in higher property taxes. As property tax rates are based on government spending, and budgets, the end result is that each dollar siphoned off through a TIF district becomes a defacto property tax increase for all real estate not located within TIF zones.

Many of the TIF issues activists have been working on for years are supposedly coming to fruition as City Hall rolls out what they claim are the most "consequential changes to TIF system oversight"

since the TIF program started in Chicago.

The controversial funding mechanism has faced criticism from opponents for their many back-room deals that line the pockets of the city's wealthiest developers. Some critics argue that if so much of the city's budget wasn't sucked up by government pension liabilities and debt maintenance, TIF districts would perhaps not be needed. That such development efforts could be undertaken through better management of property tax revenue.

Tax-increment financing essentially freezes property taxes for blighted areas at their existing levels. Then, any additional tax revenue generated from new developments is used to pay for infrastructure and other improvements over the next 23 years.

For example, an area such as Lincoln Yards today has a very low property tax threshold as right now it only consists of empty lots. That a new TIF district now exists on those empty lots means that every tax dollar collected on the projected \$6 billion in future real estate development to be built there will go into the TIF district, and not go to any of the local taxing bodies.

The city selected private engineering and development consul-

tant AECOM to finalize a draft of the revised TIF regulations. That choice, however, elicited criticism from TIF activists that served as co-plaintiff in a lawsuit aimed at blocking that Lincoln Yards TIF deal.

Indeed the generally shady way TIF's have operated in Chicago - particularly under former Mayor Rahm Emanuel - has led some to calls for shutting down the program entirely. Last week The Civics Lab, perhaps Chicago's most vocal opponent to TIF districts, sent out a notice stating they "have been investigating Tax Increment Financing districts here and across the USA and their impacts on communities since 2013. Our TIF Illumination Project (www.tifreports.com) has been asked to do 79 public forums presenting our findings. We've talked to activists, academics, and journalists covering urban policy matters all over the country," and they found the districts to be unjust and racist. "We call for TIFs to be abolished."

The proposed changes coming out of City Hall supposedly align TIF allocations with city plans to ensure that property tax dollars are spent on the most high-impact projects. So they claim they will now begin a long-term process of developing citywide

economic development and capital plans. Once developed, "these plans will provide transparency into future TIF decisions, as residents will know how TIF projects align with the City's long-term priorities."

Until the City establishes long-term, citywide plans, the Mayor's Office says the city will use existing departmental and community plans to guide TIF spending decisions.

City Hall claims they will open up more data on the TIF program and provide it in an easy-to-use format, and provide monthly updates on which TIF projects were funded.

The city also plans to add a new bureaucratic layer to the process under something called TIF Investment Committee (TIC) modeled after an investment committee structure, with authority to monitor, approve, and oversee TIF-funded projects, replacing the existing TIF Task Force. Members of TIC include Deputy Mayor for Economic Development as Chair, the City's CFO, Budget Director, Chief Equity Officer, Comptroller, and the Deputy Mayor for Infrastructure.

The city also claims real estate developers and other private applicants will not receive TIF funds unless they show that their project would not succeed without TIF funds, known as the "but-for" test. City Hall is strengthening its but-for standards to make sure that all private developers are held accountable for meeting this test.

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