LOYOLA UNIVERSITY CHICAGO | THE INSTITUTE FOR RACIAL JUSTICE

Rethinking Tax Increment Financing in Chicago

Findings from South Chicago and Implications for Equitable Development

April 2026



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Information in this paper came from an analysis of city datasets available on the City of Chicago's Department of Planning and Development website, and interviews with current and former city staff who worked closely with the TIF program.

About This Report

This report was developed through the Institute for Racial Justice (IRJ) at Loyola University Chicago as part of its applied research agenda focused on public finance, community investment, and neighborhood development in Chicago. Recent growth in TIF revenues and renewed public attention to property taxes have intensified questions about how funds are used and whether they are producing meaningful neighborhood change. This report contributes to that discussion through a place-based analysis of South Chicago conducted by the Institute for Racial Justice at Loyola University Chicago.

IRJ conducts policy-relevant research designed to support informed decision-making by public agencies, civic leaders, and community partners. Its work examines how policies, programs, and public investments operate in practice and how research, community insight, and decision-making can be brought into closer alignment. This bridging role is central to IRJ's approach and reflects a commitment to ensuring that research is both technically rigorous and grounded in the lived realities of communities affected by public decisions. In practice, this approach involves building partnerships across universities, community organizations, and civic institutions to ensure research both reflects on-the-ground realities and contributes to practical decision-making.

This report reflects that model. It combines quantitative analysis of TIF revenues and expenditures with policy review and place-based case study to examine how TIF operates in South Chicago and how outcomes compare with other districts across the city. Faculty expertise, student research, and community-informed perspectives were integrated throughout to ensure that the analysis is both methodologically sound and attentive to on-the-ground conditions and practical decision-making contexts. The goal is not only to assess outcomes, but to clarify how the design and implementation of TIF influence neighborhood-level change.

The findings are intended to support policymakers, planners, community leaders, and civic organizations seeking to evaluate the effectiveness of TIF and consider how it can be better aligned with broader development and fiscal strategies. At a time when questions about property taxes, public investment, and neighborhood growth are increasingly interconnected, clear and accessible analysis is essential to informed decision-making. The analysis is intended to inform ongoing discussions among policymakers, civic leaders, and community stakeholders about the future role of TIF and related public investment tools in Chicago.

Special thanks to Claretian and Fifth Third Bank

The Institute for Racial Justice (IRJ) at Loyola University Chicago partnered with Claretian Associates on this research. Claretian Associates is a Chicago-based nonprofit community development organization dedicated to strengthening neighborhoods through affordable housing development, community planning, and economic development initiatives. Their long-standing presence and deep engagement in South Chicago helped inform the focus and context of this research. We extend our sincere appreciation to our dedicated partners at Claretian Associates: Angela Hurlock, Paul Panciera, Ellis Tevonne, and Monique Thurman.

Fifth Third Bank provided financial support for this research. Fifth Third Bank is a regional financial institution committed to strengthening communities through responsible banking, community investment, and partnerships that promote economic mobility. Through its community development efforts, the bank works with nonprofit organizations, civic leaders, and local stakeholders to support initiatives that expand opportunity and promote neighborhood revitalization. This support made it possible for IRJ to conduct this research and share findings that can inform conversations about public investment and equitable development in Chicago. We are grateful for their partnership and for the leadership of Rob McGhee in helping make this work possible.

Acknowledgments

This project has been guided by a group of committed individuals with deep knowledge of Tax Increment Financing and community development. We are especially grateful to Candace Moore, Tim Jeffries, Terrence Johnson, Daniel Hertz, and Nneka Onwuzurike for contributing their analytical and applied expertise. Their insights meaningfully shaped this report and are reflected throughout.

The views expressed in this report are those of the authors and should not be attributed to advisors or funders.

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Project Overview

In 2024, the Institute for Racial Justice (IRJ) at Loyola University Chicago with support from Fifth Third Bank, collaborated with Claretian Associates (Claretian) to develop and execute a research project focused on strengthening Claretian's Neighborhood Plan by providing a detailed analysis of South Chicago's two TIFs, the South Chicago TIF and Commercial Avenue TIF, to see how well these TIFs help residents and business owners in South Chicago get ahead.



EXECUTIVE SUMMARY

The Challenge

Economic development and affordable housing are crucial areas of investment to close racial wealth gaps in Chicago. For decades, Tax Increment Financing (TIF) has been a primary investment tool used by the City of Chicago (City) to fund housing and development projects. According to the State of Illinois, "TIF districts dedicate sales tax revenues and additional property tax revenues generated within the TIF for improvements within the district to encourage new economic development and job creation."[i] Put more simply, TIF lets cities use future growth in property taxes from a neighborhood to fund projects in that same area. TIFs are used across the country with mixed results, but perhaps nowhere have they been relied on as much as in Chicago, where at its peak, there were 184 districts.

As property tax pressures grow and TIF revenues continue to expand across Chicago, questions about how these funds are used and whether they are producing meaningful neighborhood change have become increasingly urgent. Because TIF revenue depends on rising property values, neighborhoods experiencing the greatest economic challenges frequently generate the least TIF funding for development. For this reason, TIF works best when it complements broader community development strategies rather than serving as the primary investment tool. This report aims to inform how cities, community organizations, and funders can better align public financing tools with clearly defined neighborhood priorities.

TIF was never intended to be a city's primary development tool, which helps explain why outcomes have been uneven. In Chicago, debates about TIF often focus on two issues: the diversion of property tax growth from other taxing bodies, including Chicago Public Schools, and concerns about transparency and who ultimately benefits from TIF-supported projects. Additionally, there are inherently inequitable structural components of TIFs that make it harder to bring transformative change to neighborhoods that have faced long-term disinvestment.

This report uses South Chicago, a neighborhood on the southeast side of Chicago along Lake Michigan, as a case study to explore TIF's structural limitations and its impact on disinvested communities. South Chicago has two TIFs that have been in place for over two decades. Chicago's City Council extended the South Chicago TIF for another twelve years in December 2024, and it is possible the Commercial Avenue TIF will be extended for twelve years at the end of 2026.[ii] An examination of the projects these TIFs have funded, as well as an analysis of how these TIFs compare to the rest of the city's districts suggest that TIF, while a helpful funding tool for some projects, has not produced large-scale neighborhood transformation. While focused on South Chicago, the findings offer insights relevant to other neighborhoods where TIF has been used as a primary redevelopment tool.



EXECUTIVE SUMMARY

Key Findings

An analysis of South Chicago's two long-standing TIF districts—South Chicago and Commercial Avenue—reveals the following:

Limited Financial Impact:

After over 20 years of existence, the South Chicago and Commercial Avenue TIFs only generated $26.5 million and $32.2 million, respectively. Collectively, Chicago TIFs in 2023 alone had a fund balance of $3 billion, indicating the relative paucity of these south side districts. Commercial Avenue is slightly above, and South Chicago is slightly below, the median lifetime TIF balance of $33,032,877 and significantly below one of the city's largest TIFs, LaSalle Central, that has generated $1.1 billion over the course of its lifetime. These disparities contribute to uneven investment capacity across neighborhoods, as TIF funds can only be spent in the district in which they are generated.

Structural Inequity:

TIFs rely on property value growth to generate funds to spend on projects. However, in many communities like South Chicago –where unemployment stands at 16.5% (twice the city average) and the population has declined 21% since 2000 –property value growth is lower than in many other areas of the city. This structural limitation undermines the tool's potential to support the neighborhoods most in need of investment.

Persistent Housing Crisis:

More than 55% of South Chicago renters remain cost-burdened, and foreclosure rates during the 2008 crisis were nearly double the citywide average. Despite TIFs being in place, affordable housing needs remain urgent and unmet.

21%

DECLINE IN THE POPULATION OF SOUTH CHICAGO SINCE 2000

16.5%

UNEMPLOYMENT IN SOUTH CHICAGO (TWICE THE CITY AVERAGE)

55%

OF SOUTH CHICAGO RENTERS REMAIN COST-BURDENED

Moving Forward

The City is in the process of pivoting away from TIFs as the primary housing and economic development financing option, both due to necessity and new, more equitable policy choices. Numerous structural issues, including the pending expiration of the majority of TIFs in the next several years, led City leaders to pursue an alternate option in 2024: a $1.25 billion housing and economic development bond. Still, TIF will continue to be one tool in the financial toolbelt of city development and housing funding, so it is helpful to incorporate these recommendations to improve future effectiveness.



City of Chicago, Department of Planning and Development. *Grace Manor Groundbreaking.* Photograph.

EXECUTIVE SUMMARY

Summary of Recommendations

The core takeaway from this report is clear: The analysis shows that development outcomes are stronger when funding tools are aligned with clearly defined community development priorities. Too often, groups chase money rather than lead with a clear vision. When community priorities come first and public, private, and philanthropic partners align their resources accordingly, progress becomes more sustainable and equitable.

To help make that shift, here is a summary of the recommendations offered in this report:

Local community groups should continue developing a South Chicago Quality of Life Plan, tap into new local funding tools including but not limited to TIF, and strengthen relationships with city department staff to better navigate different types of funding opportunities.

The City of Chicago should keep TIF as an economic development tool, but enshrine into law the more equitable practices taken up by recent leaders and move away from it as a primary funding mechanism for economic development. The City should also establish a commission to explore additional ideas for inclusive economic development strategies, such as a scorecard for projects. It should also make financial tools more transparent, improve community engagement in TIF district redevelopment plan creation, reform the reimbursement-based structure to expand access for smaller developers, prioritize the proposed small business revolving loan fund, and create clearer ways to assess TIF impact.

The State of Illinois should revise the TIF Act to allow more flexible uses and provide consistent economic development funding that centers racial equity. This would help direct resources to neighborhoods with the greatest need, reduce overreliance on TIF, and create a fairer approach to investment across the city.

Private sector and philanthropic funders should align investments with community-driven plans, not just individual projects, and commit to sustained partnerships. This approach ensures investments address long-term community priorities rather than short-term goals. Sustained partnerships also build trust and create a foundation for shared accountability and measurable impact.

Universities and research & policy centers should explore moving beyond a consultant-client model and into longer-term, embedded partnerships that are not beholden to university calendars and align research more closely with community priorities. These research-practice partnerships can lead to better data and policy ideas, high-impact experiential and engaged learning opportunities, and more useful tools for communities and policymakers alike.

Together, these shifts can ensure that public financing tools like TIF truly benefit the people living in these neighborhoods today. They also lay the groundwork for a more equitable and sustainable future.

Angela Hurlock, *Claretian Associates*



Malik S. Henfield, PhD



Rob McGhee, *Fifth Third Bank*



TIF 101

IN THIS SECTION:

TIF 101

What is Blight?



Twyla Blackmond Larnell, PhD presenting early data analysis to members of Claretian Associates and Fifth Third Bank.



TIF 101

For cities struggling with areas of underinvestment, access to money is a major obstacle to development. TIF is a public financing mechanism designed to capture future growth in property tax revenue and reinvest it within designated districts referred to as TIF districts. For cities with tight budgets, this can be a very attractive option. A successful TIF brings in more money over time as property values, and tax revenue, go up. A TIF's maximum increment is most commonly generated in its final years of existence, though if early growth is substantial there can be many years of substantial increment generated that can be invested in the district.

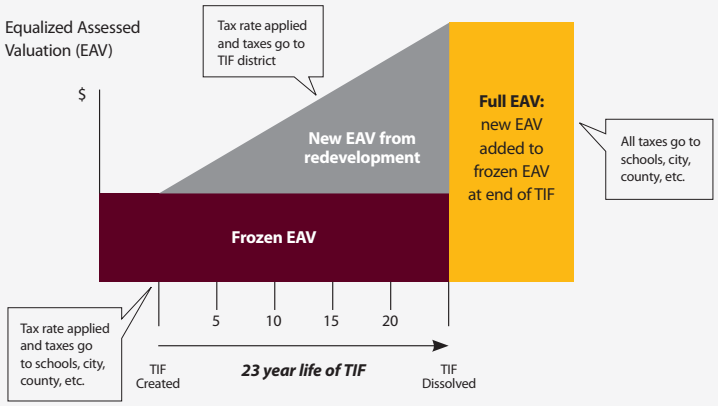
As the Illinois Municipal Finance League put it in their TIF Reform report:

A common misconception of TIF districts is that the property tax dollars are frozen. In fact, it is the equalized assessed value (EAV) of the properties in the TIF that are frozen...When a TIF is created, any increase in EAV within the TIF is no longer added to the EAV available for other taxing bodies. It is not included when tax rates are calculated, and the taxing bodies receive no revenue from that EAV. The tax rate applies to the growth in property value, called the TIF increment, so that any increase in property values within the TIF district generates tax dollars for the TIF district[iii]

When there is growth in property values in a TIF district, the original percentage still goes to the original taxing bodies (Maroon rectangular box – Figure 1). The difference between the frozen amount and the new growth goes into the TIF. Therefore, if property values are not rising, the TIF is not generating increment and cannot drive investment.

FIGURE 1

Allocation of equalized assessed value within a TIF district



Lifecycle and Structure of TIF District[iv]

Illinois created a law allowing TIFs in 1977. Chicago City Council approved its first TIF in 1983, and, particularly under Mayor Richard M. Daley, the use of TIF grew to become the city's primary financial tool for addressing development across the city. A TIF generally expires after 23 years. If the municipality can prove the area continues to meet the state definition of a "blighted area," TIFs can be extended by 12 years.

Sometimes, TIF districts do not last the entire 23 years. A TIF district may be terminated early for several reasons, including if financial obligations are paid off, and if the municipal government (typically City Council) votes to approve the closure. A TIF district may also be repealed due to no activity or expenditures. When TIFs end (for whatever reason), the full amount of the EAV is distributed to the various taxing bodies (schools and the forest preserve, for example, would see an increase in revenue when TIFs end).

What is Blight?

The purpose of a TIF is to improve a "blighted" area.[v] State of Illinois legislation requires TIFs be limited to areas that would not experience a growth in the property tax base "but for" the aid of TIF. This is intended to prevent a TIF being created in an area that was already experiencing economic growth, and to ensure they are used only in areas that most need support. There are a number of ways to determine if an area qualifies as "blighted" - see Figure 2.

Because the law offers many ways to qualify as 'blighted,' even wealthier neighborhoods have been able to form TIF districts, not just the poorest ones. The inequality between Chicago neighborhoods deepens when wealthier districts are able to invest their increasing property values back in their own specific part of the city instead of having the dollars go to its citywide taxing bodies. Even when neighborhoods that are particularly blighted have TIFs, it is not always a sufficient tool to get the level of investment the community needs.

Allowable Uses of TIF Funds

State law outlines how TIF money can be used. It can fund things like buying land, repairing buildings, building roads, offering job training, and covering project costs. The money used for this initial investment comes from the increment generated when a TIF is created.

FIGURE 2

Defining Blighted Conditions

Blighted Improved Areas (must exhibit 5 of the following features)	Blighted Vacant Areas (must display 2 or more of the following features)	Blighted Vacant Industrial (must display at least one of the following features)
• Dilapidation • Obsolescence • Presence of structures below minimum code • Illegal use of individual structures • Excessive vacancies • Lack of ventilation, light or sanitary facilities • Inadequate utilities • Excessive land coverage • Overcrowded structures and community facilities • Deleterious land use or layout • Lack of community planning • Declining EAV for three of the previous five years	• Obsolete platting (providing a detailed drawing that shows the boundaries of land parcels, streets, and other features) of vacant land • Diversity of vacant parcels' ownerships • Tax and special assessment delinquencies • Deterioration of structures or site improvements in neighboring areas adjacent to vacant land • Environmental waste remediation • Declining EAV for three of the previous five years	• Unused quarries, mines, or strip mine ponds • Rail yards, rail tracks, or railroad rights • Land subjected to chronic flooding negative impacting built property • Unused or illegal disposal site for building materials • The area is 50-100 acres with 75% or more of the area being vacant • The area qualified as blighted improved immediately before becoming vacant

FIGURE 3

Allowable Uses of TIF Funds



Historic housing in Chicago's Pullman neighborhood. Public investment through Tax Increment Financing supported infrastructure improvements and redevelopment initiatives associated with the Pullman National Monument designation and neighborhood revitalization.



Chicago Riverwalk along the downtown waterfront. The project received public investment including Tax Increment Financing support to transform the river edge into a public space featuring restaurants, recreation areas, and waterfront amenities.

State legislation provides criteria for the use of TIF funds

- Administration of a TIF redevelopment project
- Property acquisition, renovation, rehabilitation and demolition
- Construction of public works or improvements
- Job training related to the TIF area (this is the Workforce Solutions program, previously known as TIFWorks program)
- Financing costs, including interest assistance
- Studies, surveys and plans
- Marketing related to sites within the TIF
- Professional services, such as architecture and design services
- Environmental assessments and remediation

TIFs in Chicago

IN THIS SECTION:

TIFs in Chicago
Designating a TIF District
South Chicago History
Demographics
Housing in South Chicago

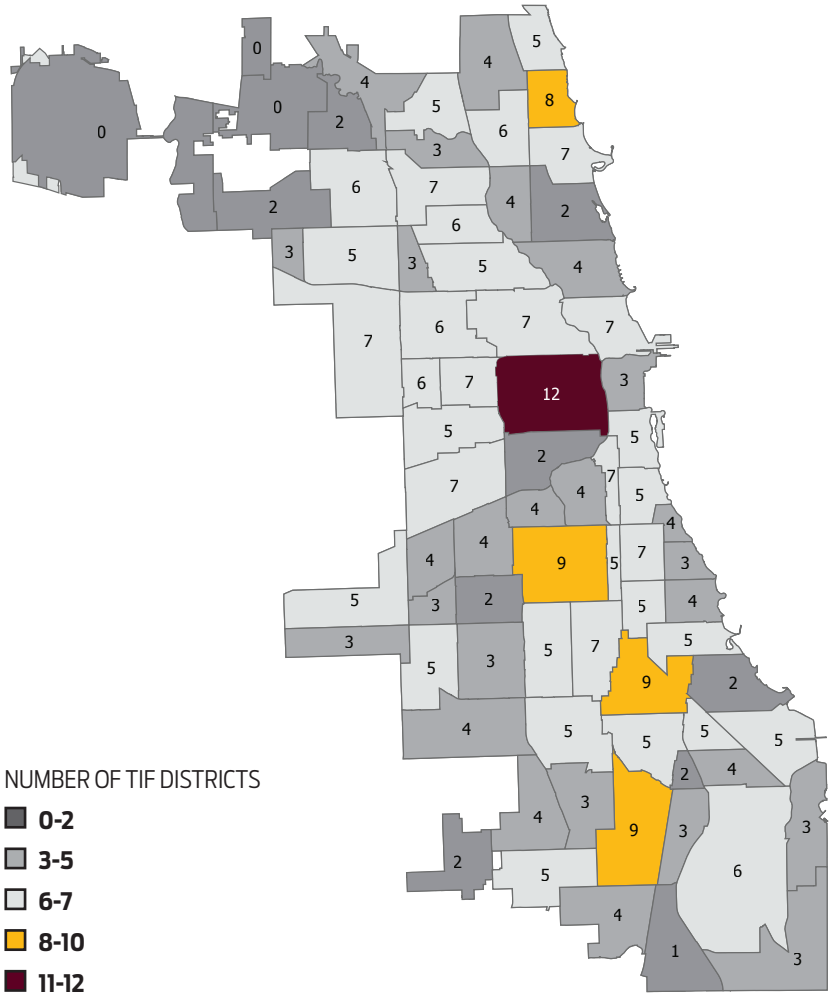


TIFs in CHICAGO

As Figure 4 demonstrates, TIFs exist throughout most of Chicago's 77 neighborhoods. Some are in areas that need significant investment, like many west and south side neighborhoods, while some are in areas that may no longer require this level of intervention to sustain economic growth. Having a TIF district doesn't guarantee money is available. As discussed above, property values need to increase to generate increment that can be used to drive investment in the neighborhood.

FIGURE 4

Number of TIF Districts



Designating a TIF District[vi]

For the City of Chicago, the TIF designation process can take a full year. In order to designate a TIF, there are several steps a municipality must take:

1. Create a redevelopment plan that establishes goals for the TIF district
2. Study the district to learn whether it is eligible under the TIF Act
3. Obtain feedback from the public
4. Obtain the approval of the Community Development Commission
5. Obtain the approval of the City Council.

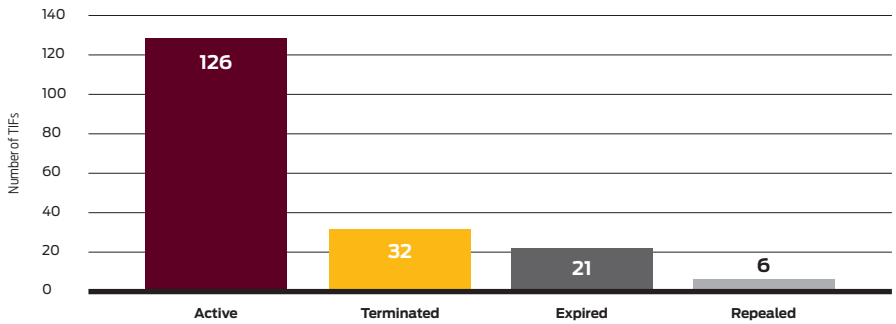
After a TIF is created, the city tracks its revenue and the TIF Investment Committee (TIC) approves projects to receive funding.

TIFs by status

An increasing number of Chicago TIFs are expiring, but as of 2022 there were still over 100 TIFs in operation. Given most of Chicago's TIFs were created at the turn of the 21st century, the city will soon see a significant decline in the number of active TIFs. In addition, the Lori Lightfoot and Brandon Johnson mayoral administrations oversaw a more concerted effort to prioritize TIFs only in truly underinvested areas. The City has updated the criteria it uses to determine whether to pursue a TIF extension or not, which centers things like equity/need and whether the TIF has generated increment. The intention of this is to reduce the number of TIFs in non-needy areas.

FIGURE 5

Status of Chicago TIFs[vii]





Lauren Burdette, delivering speech at Loyola University Chicago.

South Chicago History

South Chicago: Neighborhood History and Context

As mentioned above, some Chicago neighborhoods with TIFs did not need the investment. One neighborhood that actually did meet the blight qualifications (in the letter and spirit of the law) is South Chicago, which has experienced a long history of insufficient government and private sector investment. Since TIF districts are designed to produce both commercial and housing investments, it is useful to provide a quick background on the history of the neighborhood that led to the reality of South Chicago today.

The South Chicago neighborhood is approximately 11 miles from Chicago's downtown on the southeast side. The triangular shaped neighborhood is nestled between Lake Michigan to the east, 79th Street to the North with 95th Street to the south and South Chicago Avenue which runs parallel to the Skyway.

As industrialization began to transform America in the mid-1800s, private developers recognized the potential value of the land located in South Chicago due to its proximity to the Calumet River and the expanding railroad system. Between 1875 and 1901, several steel mill companies were established, driving job creation and contributing to a high employment rate. Combined with adjacent Northwestern Indiana, the area became one of the largest steelmaking regions in the world.

The large population and high employment levels supported a vibrant local economy with many local businesses, restaurants, and theaters existing along Commercial Avenue. The area near 92nd Street was one of the most thriving retail centers in the region by the 1920s.

As the twentieth century progressed, nationwide trends in deindustrialization and decreased levels of demand for steel led industry executives to downsize, which caused an economic decline in South Chicago. The closure of the steel mill in 1992 led to a commercial decline that has yet to be reversed.

FIGURE 6

South Chicago Development's Timeline

1871 Great Chicago Fire

1875 Brown Iron and Steel Company established

1880 North Chicago Rolling Mill South Works plant established

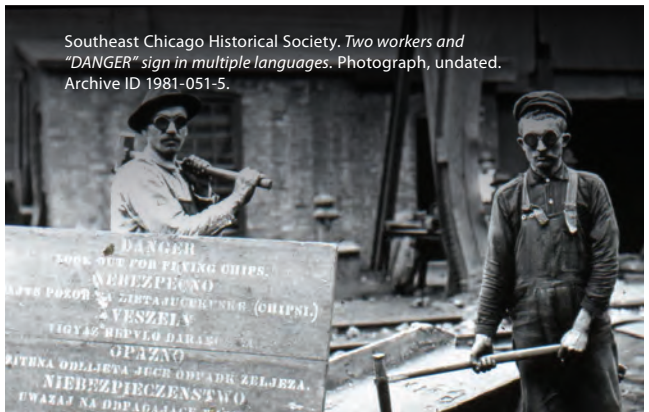
1889 The City of Chicago annexed South Chicago

1901 Mill's operations expanded

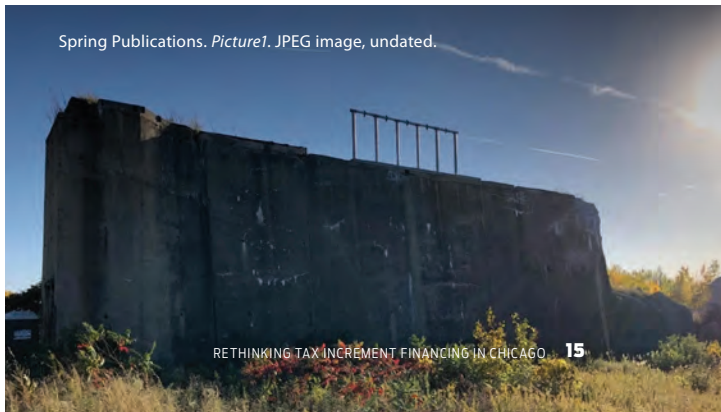
1992 South Works Steel Mill closure



Ludwig-Maximilians-Universität München (LMU Munich). *Cover image for journal article no. 30.* JPEG image



Southeast Chicago Historical Society. *Two workers and "DANGER" sign in multiple languages.* Photograph, undated. Archive ID 1981-051-5.



Spring Publications. *Picture1.* JPEG image, undated.

Demographics

South Chicago's economic decline accelerated in the early 2000s, leading many Black residents to leave in search of jobs and affordable housing. Counter to prevailing public narratives, Chicago's population decline has been heavily concentrated in majority Black neighborhoods. South Chicago, for example, saw a population decline of 21% between 2000 and 2022 (see Figure 7). Other South Chicago neighborhoods have simultaneously experienced economic decline/stagnation that indicates the need for financial investment.

FIGURE 7

Demographics of South Chicago and Surrounding Neighborhoods[viii]

Economic Development in South Chicago

The impact of this historical disinvestment can still be seen today when we compare South Chicago to other Chicagoland neighborhoods. South Chicago's unemployment stands at 16.5%, twice the Chicago average of 8.2%.[ix] South Chicago neighborhoods have some of the lowest net-wealth scores in the entire county (South Shore residents, for example, have an average net worth of just $4,439 compared to over $900,000 in net wealth in northern suburbs such as New Trier).[x] Indeed, Mayor Lightfoot's Invest South West program selected South Chicago as one of its 10 priority neighborhoods to spur economic development. South Chicago's primary commercial corridor (Commercial Avenue) has many opportunities for growth and new businesses, but it requires both public and private investment in order to flourish.

16.5%

SOUTH CHICAGO'S **UNEMPLOYMENT**

$4,439

SOUTH SHORE RESIDENTS AVERAGE **NET WORTH**

21%

SOUTH CHICAGO SAW A **POPULATION DECLINE** OF 21% BETWEEN 2000 AND 2022



City of Chicago. *Invest South West: South Chicago.*

Housing in South Chicago

Over the last twenty years, housing costs increased across the country, South Chicago being no exception. The cost of a home in South Chicago/Hegewisch increased 129% from 2000 to 2024.[xi] The extent of the housing crisis in South Chicago, however, is significant compared to the rest of the city.

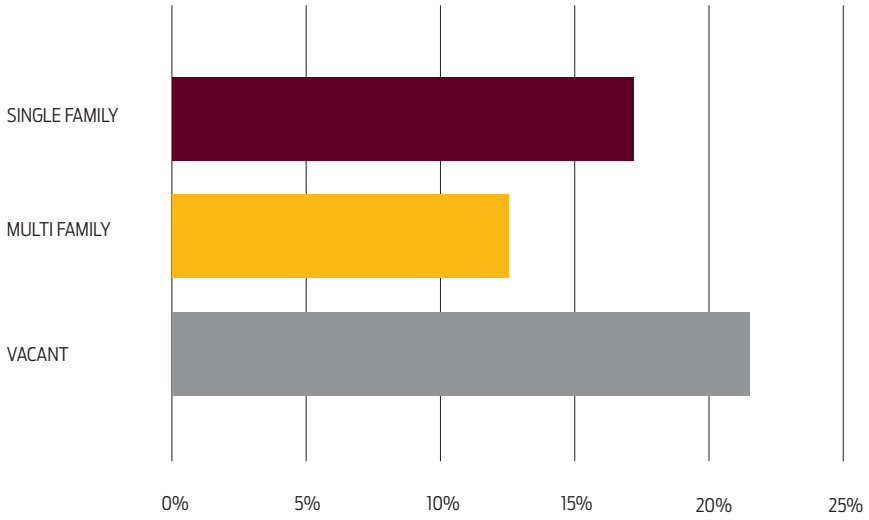
- Overall, over 40% of South Chicago residents are cost-burdened, and over 55% of South Chicago renters are cost-burdened, making affordable housing one of the neighborhood's primary needs.[xii]
- Foreclosure rates in South Chicago are above the citywide average, and the neighborhood was particularly hard hit during the 2008 financial crisis with almost 7 foreclosure filings per 100 parcels.[xiii]
- In South Chicago, cumulative foreclosure filings, which represents the cumulative impact of foreclosure in a neighborhood measured as the unique share of residential properties that have had at least one foreclosure filing since 2005, was almost 40% compared to the Chicago average of 22%.[xiv] This indicates that while the remaining homeowners today may be less cost burdened than other neighborhoods, the long-term impact of the financial crisis is still central to the neighborhood's challenges today.
- Renters now constitute more than half of South Chicago residents.[xv]

Conclusion

South Chicago has a rich history and is a neighborhood that literally helped build Chicago and America. Unfortunately, with the decline of American industrialization, South Chicago has experienced continued economic decline in the latter 20th and beginning of the 21st century, building on the trends exacerbated by the steel mill closures. Since 2000, per capita income has fallen, and the percentage of cost-burdened households has increased. This impacts neighborhood wealth because it is harder for rent-burdened households to secure financial stability. At the beginning of the 21st century, Mayor Daley proposed two South Chicago TIF districts to reverse the declining economic trends by (1) by rehabilitating deteriorating buildings; and (2) creating a desirable environment for private investment leading to new economic opportunities for local business owners and residents. In the next section, an extensive analysis of the South Chicago TIF and Commercial Avenue TIF offer important insights into the activities of these TIFs and their impact on South Chicago.

FIGURE 8

South Chicago's Land Distribution



40%

OVER 40% OF SOUTH CHICAGO RESIDENTS ARE COST-BURDENED

55%

OVER 55% OF SOUTH CHICAGO RENTERS ARE COST-BURDENED

South Chicago TIFs

IN THIS SECTION:

South Chicago TIF
TIF Revenue Raised, Growth from 2022-3, and Unallocated Funds
Major Projects Funded by South Chicago TIF
South Chicago TIF Expenditures



Meghna Chandra, PhD, presenting research findings (former IRJ Postdoctoral Fellow)



Stock photograph. *Brick building entrance on residential street.*
Photograph, n.d. Abandoned Victorian Shop in Pullman, Chicago

This section reviews how the South Chicago and Commercial Avenue TIFs have worked, using data from the Chicago Data Portal. We reviewed reports and data from Cook County, the City of Chicago, and TIF program records from 1997 to today [xvi] [xvii] [xviii] [xix] [xx] [xxi] [xxii] For both TIF districts, summaries are provided of the following:

a. Overall revenue raised, percent growth from 2022-23, and unallocated funds in 2025
b. Major projects implemented
c. Expenditures
d. Redevelopment properties

South Chicago TIF

The South Chicago TIF was created on April 12, 2000. The project area spans 327.2 acres of mostly residential land.[xxiii] The Redevelopment Plan Agreement (RDA) lists the goals of revitalization via integration of land-use, pedestrian access, vehicular circulation, parking, service, and urban design systems, an elimination of factors of blight, reasonable implementation, and mix of new development and rehabilitation which "supports and takes advantage of labor, financial institutions, and other resources or needs to be served within the community.[xxiv]" In 1998, before the TIF started, the total taxable property value in the area was about $17.5 million. In previous years (1994-1998), the equalized assessed valuation (EAV) of properties in the TIF area only increased by 3.1% compared to 18.4% at the city-[xxv].

When the TIF began, most buildings were in poor condition, and over 60% of lots were vacant. The City issued 176 building permits for projects in the previous 5 years, largely for smaller scale projects. The area earned 373 building code violations in about 40% of the buildings.

The plan for South Chicago involved building 250-300 new single-family houses and two-flat residences. Plans called for several large apartment buildings, with space for seniors and people with special needs. The plan also laid out the goal of rehabilitating 20-25 abandoned buildings and improving the facade of 200 occupied residential buildings.[xxvi]

The TIF plan shows that the city of Chicago intended on using TIF funds to acquire inhabited residential buildings, two flat buildings and a mixed-used (commercial and residential) building with 4 residential units[xxvii]. Of the inhabited buildings, one was low income while four provided housing to families living considerably below the poverty level.

Revisions that were incorporated in the plan before its adoption placed an emphasis on promoting TIF projects that supported and established neighborhood-serving businesses and community facilities, job opportunities and training for local residents, and other neighborhood improvements. Relatedly, a TIF Neighborhood Investment Program (TIF-NIP) was created in South Chicago to provide grants to local homeowners to assist with external improvements. These "grants are primarily for exterior repairs, however, up to 30% of the grant may be used for interior repairs that are health and safety related.[xxix]" Homeowners earning up to 100% of AMI are eligible for this program. Also, an Adjacent Neighbors Land Acquisition Program made it possible for homeowners to buy adjacent vacant lots at less than the market value to create gardens, sideyards, or other open space improvements.

FIGURE 9

Anticipated Benefits of the South Chicago TIF



250+NEW SINGLE FAMILY AND TWO FLATS



110-250 UNITS MULTI-FAMILY RESIDENCES



REHABILITATE **220+**BUILDINGS



INCREASE EAV **$32.6** MILLIION+

TIF Revenue Raised, Growth from 2022-3, and Unallocated Funds

Over 20 years, the South Chicago TIF raised about $26.6 million, putting it below most other TIF districts. TIF revenue increased 10.95% between 2022 to 2023.

As of 2024, there are approximately $87,713.00 of unallocated funds. This number is subject to change, given that this TIF was recently renewed. While that specific amount of unallocated funds is quite small, unallocated TIF funds tend to be rolled up into a "TIF surplus" that the mayor and city council often use to close its corporate budget gaps. This practice—used by multiple mayors—shows how money meant for specific communities often gets diverted to cover the city's overall budget gaps. Beyond being a short-term fix for a problem that needs a systemic solution, this habit has resulted in fewer resources available for neighborhood housing and economic development needs.

Major Projects Funded by South Chicago TIF

Most of the projects funded by the South Chicago TIF align to the overall goals of the RDA. The biggest projects completed with TIF funds in South Chicago include:

- $1,500,000 projected to be spent on Invest South West corridor; $138,839 spent in 2023. INVEST South/West is an initiative of the Department of Planning and Development undertaken in 2019 under Mayor Lori Lightfoot to leverage $750 public investment (specifically TIF funds) to attract private investment and boost vitality of neighborhoods on the South and West Sides of the City.[xxxi]
- $5,000,000 projected to be spent on SACRED apartments affordable housing. This project is sponsored by Interfaith Housing Development Corporation and Claretian Associates. It is proposed to be a five-story building with 6,000 square feet of ground floor retail and five floors of residential space, including 81 units of affordable housing and a grocery store.[xxxii]
- $898,076 spent on Small Business Improvement Fund program since 2003; $400,000 spent on Paket Corp.
- $411,000 spent on the Neighborhood Improvement Fund granting home repairs to single-family residents with no more than 4 units from 2021-2022.
- $400,000 projected to be spent on the TIF plan amendment 12-year extension.
- $396,000 projected to be spent on Ninos Heroes Elementary Fire Alarm.

FIGURE 10

Corridor 10, SACRED apartments rendering, and Paket Corp

More extensive information about the projects funded by the TIF can be found in the appendix.



Niños Heroes Elementary Academic Center. *Photograph from school photo album.* Photograph, undated.



Perkins&Will. *Thrive Englewood.* Rendering. Published in Lukas Kugler, "Plan Commission Approves Thrive Englewood," *Urbanize Chicago,* July 27, 2022.

South Chicago TIF Expenditures

Financial documents indicate that over 21 years of operations, the TIF expended $12,298,804. In Figure 11, findings show that the largest proportion of this money ($5.6 million) funded the construction of public works, and related improvements followed the rehabilitation of existing buildings ($2.3 million), financing costs ($1.7 million), property assembly and site preparation ($1.5 million), studies, administrative costs, and professional services ($1 million) and job training ($20,000).

The South Chicago TIF funded approximately one million dollars to rehabilitate existing buildings during the beginning of the TIF, with smaller amounts spent throughout the 2010s (see Figure 11). However, larger amounts were not invested into rehabilitation costs or public works until more recent years, when the TIF was finally able to generate higher levels of increment.[xxxiii]

For the first seven years of the TIF, South Chicago paid almost $1.7 million to MB bank for a principal of $1,200,000 at an annual interest rate of 8.5%. The next large spike in spending was towards public works and improvements ($113,032) between 2008-2009, then $128,212 in 2016 before peaking in 2020 at $2,665,215. Spending on assembly and site preparation was nonexistent until 2022 at the amount of $1.5 million. There was a steady stream of money for studies, administrative costs, and professional services throughout the lifetime of the TIF averaging $49,180 each year. The minimum amount of $6,296 occurred in 2000 and the maximum amount of $199,155 was expended in 2007. Job training was the smallest expense with only $16,000 in TIF funds being used in 2015 and 2016.

Taken together, these patterns suggest that the early years of the South Chicago TIF focused on financing debt service and rehabilitating older buildings with little activity throughout the TIF's existence, but increased spending towards the end of the TIF to focus on improving public works and preparing spaces for redevelopment. This aligns with the behavior of all TIFs, as the largest increment is generated toward the end of the TIF district's life. It is also evident that the many projects to which funds were allocated did not begin or were not completed beyond the

FIGURE 11

South Chicago TIF Categories of Expenditures from 2000 - 2022

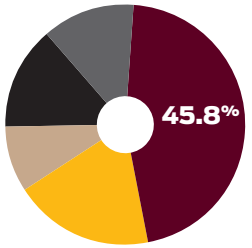
(Source: Annual Reports 2000-2022)

CATEGORY	EXPENDITURE	PERCENTAGE OF TOTAL
Job Training	$18,606	0.2%
Studies, Administration, and Professional Services	$1,081,967	8.8%
Property Assembly and Site Preparation	$1,535,500	12.5%
Financing Costs	$1,693,557	13.8%
Rehabilitation of Existing Buildings	$2,336,188	19.0%
Construction of PublicWorks	$5,632,986	45.8%
TOTAL	**$12,298,804**	**100%**

FIGURE 12

South Chicago Expenditures Breakdown from 2000-2023

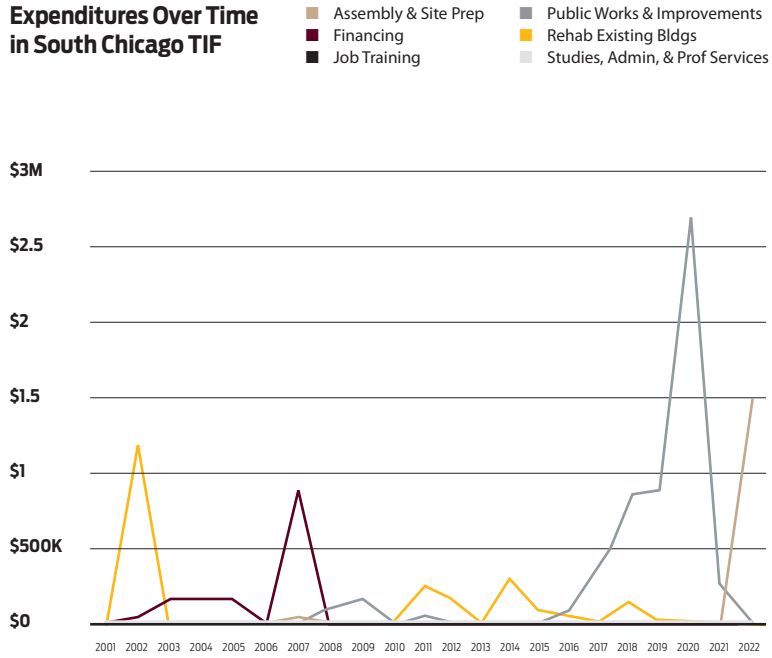
(Source: Annual Reports)



Public Works	45.8%
Rehab of Existing Buildings	19%
Studies, Administration, and Services	8.8%
Financing Costs	13.8%
Property Assembly and Site Preparation	12.5%

FIGURE 13

Expenditures Over Time in South Chicago TIF



initial steps of receiving funds to support the financing of the project and completing different feasibility studies and appraisals of potential sites. This is likely because the anticipated growth of EAV stated in the RDA did not occur - private investment did not come to the area as anticipated.

A Note on Transparency

A key limitation of the TIF program is the level of fiscal transparency available in public reporting. Until 2017, the city government required that all vendors who were paid an excess of $10,000 would be disclosed in annual TIF reports. The policy then became optional with the documentation stating that "Information in the following sections is not required by law but would be helpful in creating fiscal transparency".[xxxiv] For the most part, funds were accounted for, but there were some notable exceptions. In 2017, reports show $450,000 spent on the costs of construction of public works and improvements. The only vendor listed was Munster Steel who received $430,388.48 in TIF funds. Based on publicly available documentation reviewed for this report, the remaining funds cannot be clearly traced. In 2022, the TIF fund leveraged $56,507 to cover the costs of the construction of public works or related improvements, yet only $46,991 is documented as transferred to Steven D Construction company for these types of projects. The difference, or amount of untraceable funds, equaled $9,516. With elements of financial documentation optional, many reports fail to provide enough information to clearly identify the amount of funds expended, the recipient of the funds, and the stage of completion for the projects to which funds were allocated.

Property Acquisitions and Redevelopment Projects

From the inception of the South Chicago TIF, 255 property acquisitions occurred. Of these, 231 properties were acquired through the Tax Reactivation Program in which the Chicago government instructed the Cook County government to make a no-cash bid on tax-delinquent parcels. Chicago obtained these parcels in a court proceeding and received a tax deed from the county. The City government must pay the court costs and incidental expenses of between $2000-$2500. The report did not provide any information on the size or description of the property, purchase price, or seller of the property.

Redevelopment Projects

Data indicate that the City entered into 58 agreements regarding the disposition and redevelopment of the property within the TIF district. A large proportion of these properties (43) focus on mixed-use buildings. Two properties, 9130 S. Burley and 9230 South Brandon were purchased in 2008 by Claretian Associates for $10. A map of these and other TIF-related development activities in South Chicago will be presented in the following sections.



Lauren Burdette facilitating panel with Terrence Johnson, Tim Jeffries, Daniel Hertz, and Candace Moore.

Commercial Avenue TIF

IN THIS SECTION:

Commercial Avenue TIF
TIF Revenue Raised and Unallocated Funds
Major Projects Funded by Commercial Avenue TIF
Commercial Avenue TIF Expenditures
South Chicago and Commercial Avenue TIFs: A Summary





Block Club Chicago. "Sweet Home South Chicago Festival Celebrates Commercial Avenue's Businesses, Local Talent." *Block Club Chicago,* August 18, 2021.

Commercial Avenue TIF

The Commercial Ave TIF was created on October 29, 2002. The area spans 395.6 acres, containing 579 buildings and 108 full and partial tax blocks making up commercial, residential, industrial, institutional, and public areas.[xxxv] The TIF is made up of community areas including South Chicago, South Deering, and Calumet Heights.

According to the Commercial Avenue Tax Increment Financing Redevelopment Area Project and Plan, the EAV at adoption was $42,008,704.[xxxvii] The application listed the anticipated EAV at $97.5 million by 2026 following roadway and utility improvements, upgraded lighting, improved signage and landscaping and completion of redevelopment projects. The assumptions underlying this number included timely redevelopment of 110,000 square feet of new commercial space for retail/office/commercial uses occupied by 2012, 200,000 new square feet of industrial space, and 190 new single-family units occupied by 2012, assuming inflation rates equal 2.5%.[xxxviii]

When the TIF was created, the area had some assets, including 14 buildings in the Chicago Historical Resource Surveys, anchor businesses and community institutions, and recreational opportunities at community area parks including Bessemer, Square, Eckersall, Dougherty Pine, Bradley, and Veteran's Parks. However, 400 out of 579 buildings (69%) were deteriorating. 23.9% of all parcels were vacant. 94% of all buildings were older than 35 years old, with only 39 new buildings built since 1966. The EAV's growth significantly lagged behind Chicago, only increasing 17.6% from 1996-2001, compared to 36.5% in Chicago.[xxxix]

The plan's stated aim centered around revitalizing the urban corridor with commercial, retail, light industrial, and residential spaces for living, shopping, entertainment/cultural, and employment needs of the residents. The goals involved creating a rental and homeownership housing varying in style, price/rent (market rate, and for very low, low, and moderate income) residents, and density. The plan also emphasized the retention, enhancement, and attraction of commercial and business development as well as efforts to grow property values within and adjacent to the project area, attract new employers paying a living wage with a commitment to employ local residents.[xl]

The stated redevelopment goals of Commercial Ave at the time of its adoption in 2002 included the development of 110,000 square feet of new commercial space, 200,000 square feet of new industrial space, and 190 new single-family units. Initiatives also included roadway and utility improvements, upgraded lighting, improved signage, and landscaping.[xli]

FIGURE 14

Anticipated Benefits of Commercial Ave TIF [xxxvi]



110,000 NEW SQUARE FT COMMERCIAL MIXED USE SPACE



190 NEW OWNER OCCUPIED RESIDENCES



200,000 SQUARE FT NEW INDUSTRIAL SPACE



INCREASE EAV **$55.5** MILLION

The plan called for acquiring properties through purchase, lease, donation, or eminent domain. The TIF application planned that 189 parcels of land would be acquired given anticipations about increased demand in treatment of sanitary and storm sewage, City services and programs, Board of Education services and programs, recreational services, library programs, and others [xlii]

TIF Revenue Raised and Unallocated Funds

Over the course of its lifetime, Commercial Ave TIF raised $32,712,544. As with South Chicago, this is in the second quartile of TIF increment generation in Chicago. From 2022-2023, Commercial Ave saw an 8.46% increase in revenue. As of 2024, there are approximately $5,118,534 of unallocated funds. This number is subject to change, especially if the TIF gets renewed before its expiration in 2026.

Major Projects Funded by Commercial Avenue TIF

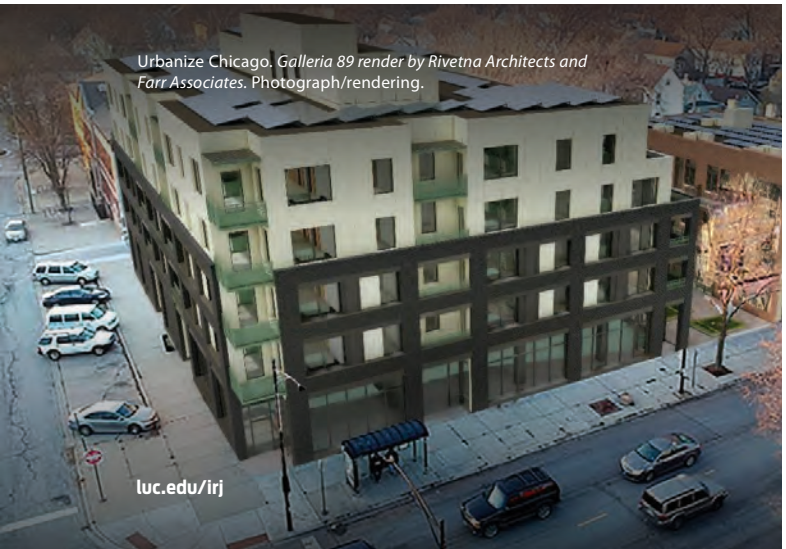
- $10,600,000 allotted for Galleria 89; $2,650,000 projected to be spent in 2024. This project is meant to be a mixed-use complex of 60,000 square feet and 6,000 square feet of retail and amenity space, including 58 units of affordable housing.[xliii]
- $2,883,893 spent from 2007-2023 on Small Business Improvement Funds for building improvements for small businesses.
- $2,330,000 allotted and spent on renovating Yellow Banana operated Save a Lot Grocery at 7240 S Stony Island in 2023.[xliv] This grocery store was previously closed and received pressure to open the stores or lose TIF funding and are mandated to keep the store open for no less than 10 years.[xiv]
- $1,297,778 on Chicago Department of Transportation sidewalk/curb/gutter repairs in the Invest South West Corridor 10 spent in 2023.
- $810,000 projected to be spent on acquiring 8840-44 S Commercial Ave.
- $750,000 projected to be spent on rebuilding and reshaping Bessemer Park baseball diamond in 2024. Bessemer Park Baseball field is part of Bessemer Park.[xlvi]
- $256,300 spent on Neighborhood Improvement Fund for home repair for single family residents with no more than 4 units.

Other smaller projects (< $200,000) include ADA polling accessibility improvements, TIF Works workforce-training programs, marketing agreements, and various studies.

FIGURE 15

Galleria 89 rendering, Yellow Banana Grocery Store, and Bessemer Park Baseball Diamond

Additional information about all projects conducted in the Commercial Ave TIF can be found in the appendix.



Urbanize Chicago. *Galleria 89 render by Rivetna Architects and Farr Associates.* Photograph/rendering.



Yellow Banana Grocery Store



Bessemer Park Baseball Diamond

Commercial Avenue TIF Expenditures

Expenditures in the Commercial Ave TIF primarily financed property assembly and site preparation ($2.4 million), construction of public works and improvements ($1.8 million), and rehabilitation of existing buildings ($1.8 million) (see Figure 35). The next largest expenses included $485,099 for studies, administration, and professional services and $172,329 for job training. As with the South Chicago TIF (and other TIFs across the city), job training was a smaller proportion of the overall spend.

The lifecycle of the Commercial Avenue TIF reveals an initial pattern of spending on rehabilitation of existing buildings from 2008 ($132,799) and peaking at $277,095 in 2016. Site assembly costs were minimal with values of $35,324 (2006), $25,900 (2009), and a sharp increase to $2,346,081. The latter was by far the highest of all the TIFs expenditures in a given year. There was intermittent spending on public works in 2010-11 with more significant spending from 2016-2022 and a peak of $633,634 in 2020. Studies, administrative costs, and professional services remained steady throughout the TIF lifecycle, with an average of $27,115.05, peaking at $47,136 in 2021. Finally, there was a small uptick in spending on job training between 2016-2020, peaking at $68,029 in 2020. Available data suggest moderate investments and property acquisitions, though it is difficult to match the outcomes with recorded activities. Public works projects began to receive more TIF funds beginning in 2019.

Property Acquisitions

Thirty-eight properties were acquired by the municipality in the Commercial Ave TIF. Most of these were purchased through the Tax Reactivation Program, in which the City instructs Cook County to make a no-cash bid on tax delinquent parcels, with costs between $2,000 and $2,500.

Redevelopment Properties

Commercial Ave TIF entered into agreements to develop eight mixed-use properties from 2010-2017. This aligns with the initial redevelopment plan's aims of revitalizing the commercial corridor by redeveloping the many storefronts with residential units. However, these initiatives fall short of the 189 parcels of land that were slated for acquisition in the original plan.

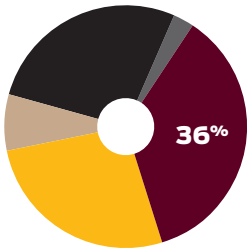
FIGURE 16

Breakdown of Expenditures in Commercial Ave TIF

CATEGORY	EXPENDITURE	PERCENTAGE OF TOTAL
Costs of construction of public works and improvements	$1,835,782.00	27%
Job Training	$172,329.00	3%
Property Assembly and Site Preparation	$2,407,305.00	36%
Rehabilitation of Existing Buildings	$1,779,385.00	27%
Studies, Administration, and Professional Services	$495,099.00	7%
TOTAL	**$6,689,900.00**	**100%**

FIGURE 17

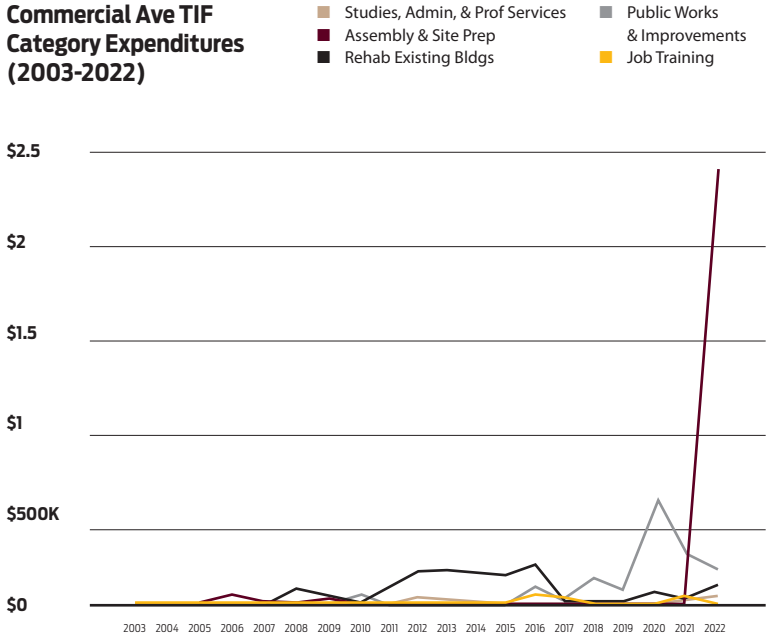
Breakdown of Expenditures in Commercial Ave TIF



Property Assembly and Site Preparation	36%
Rehab of Existing Buildings	26.6%
Studies, Administration, and Service	7.4%
Public Works	27.4%
Job Training	2.6%

FIGURE 18

Commercial Ave TIF Category Expenditures (2003-2022)



Major vendors who benefited from TIF projects consisted of private construction companies, banks, nonprofit lenders, and Chicago municipal organizations. Although Claretian Associates did take advantage of TIF funds, most South Chicago businesses owned by people belonging to marginalized groups did not. This meant they were unable to access an opportunity to support redevelopment in their own communities. The City government, which manages most of the infrastructure repairs, does have local hiring requirements but they are citywide, not neighborhood based.

South Chicago and Commercial Avenue TIFs: A Summary

While many of the projects funded by both South Chicago and Commercial Avenue TIFs aligned with priorities in the redevelopment plans, the lack of overall property value growth limited the impact of those investments and prevented the transformation anticipated in the initial plans. Therefore, for both TIFs, it wasn't until 2019 that more significant funds could be spent on public works and improvements, as well as on assembly and site preparation projects. The majority of expenditures focused on rehabilitation of existing buildings, improvements or public works, and property assembly costs. Each TIF did support some major projects in its boundaries: the SACRED apartments affordable housing complex, the INVEST South/West corridor, Galleria 89 and the grocery store Yellow Banana, but information about progress and the impact of these projects is difficult to find. The lack of transparency regarding the specific details of the projects and related finances prohibited a comprehensive analysis of TIF districts' operations.

As of 2024, according to the latest data, there are about $87,713.00 in South Chicago and $5,118,534 in Commercial Avenue TIFs unspent.

Results discussed earlier in the report provide considerable evidence that the quality of life for residents, conditions of physical structures, and local economy did not grow to the extent the RDAs envisioned throughout the two decades that the TIFs existed in South Chicago. In the following section, findings show that neighboring TIFs performed similarly.



"If you tally up all the TIF allocations beginning with the Emanuel administration to the present, about 75% of funds went towards fully public uses - that includes parks, schools, transit, streets, libraries, and other things that Chicago residents interact with on a daily basis."

— TIM JEFFRIES, MANAGING DEPUTY COMMISSIONER, CITY OF CHICAGO DEPARTMENT OF PLANNING AND DEVELOPMENT

Neighborhood TIF Comparison

IN THIS SECTION:

Neighborhood TIF Comparison
Aims of Other South Chicago TIFs
South Chicago TIFs Comparative Finances
Mapping South Chicago TIF Development



Tikia Hamilton, PhD, IRJ Faculty Affiliate, presenting research findings.



$1B+

OVERALL TIF REVENUE GENERATED BY LASALLE CENTRAL DISTRICT

$59.2M

OVERALL TIF REVENUE GENERATED BY COMMERCIAL AVENUE AND SOUTH CHICAGO TIF DISTRICTS

100+

ACTIVE TIF DISTRICTS IN CHICAGO

Neighborhood TIF Comparison

The advantage of being situated near other TIF districts is the potential to benefit from the collective, regional economic growth, as TIFs allow porting across adjacent districts. South Chicago community is adjacent to five other TIFs: 71st/Stony Island, Lake Calumet, Avalon Park / South Shore, South Works Industrial TIF, and Chicago Lakeside. A comparative analysis of their goals, operations, and funding offers critical information for a better understanding of economic development in and around the South Chicago neighborhood. It also potentially offers revitalization strategies for both South Chicago and Commercial Avenue TIFs. Generally, South Chicago TIFs of interest to this study and the other neighboring TIFs are comparable across revenues, expenditures, expenditure breakdowns, and gaps between revenues and expenditures. 71st/Stony Island TIF represents the single outlier given that its revenues and expenditures far exceeded those of the other TIFs: for three years it spent more than it raised.

A Citywide and Local Comparison

A comparison of TIFs across Chicago reveals patterns of interest (Figure 19).

Two of the TIFs examined in this section were in the fourth and third citywide quartiles of all TIF funds raised. These were Lake Calumet (created 2001) at $86,819,095 and 71st and Stony Island (created in 1999) at $76,358,880, respectively. Since both are industrial TIFs, which are targeted at large-scale industrial areas and span large tracts of land, this significant difference in size makes sense.

The Avalon Park/South Shore (created in 2002) TIF is in the first quartile of total TIF funds raised at $13,876,024.

The South Chicago and Commercial Avenue TIFs generated $26.5 million and $32.7 million, respectively.

In comparison, downtown and gentrifying TIF revenues dwarf the money raised in South Chicago. La Salle Central (created 2006) raised $1,163,206,931. Pilsen (created 1998), a TIF in a now gentrifying area, raised $340,541,816.

In other words, collectively all the South Chicago TIFs generated a total of $210 million in tax increment over the course of their lifecycle. This is only 18% of what LaSalle Central—a lone downtown TIF that is younger than all the South Chicago TIFs—generated.

These big differences in funding come from structural problems built into the TIF system. First, as mentioned above, the State of Illinois has many criteria by which municipalities can determine if a neighborhood is "blighted" or not. In the case of the LaSalle Central District in 2006, it was certainly not as blighted as many other neighborhoods in the city, but there were sufficient criteria to qualify it under state law. Since that district comprises most of downtown and its hub of economic activity, the property value grew quickly, and the increment generated each year has been substantial. Since TIFs exist for 23 years, this district is outperforming all others, and will do so until its expiration in 2029. TIFs in the rest of the city, where increment is needed most, generally do not have the privilege of such pre-existing industry. A second inequitable structure is that many of these other TIFs do not have the ready private

FIGURE 19

A comparison of Total TIF Revenue by Quartile

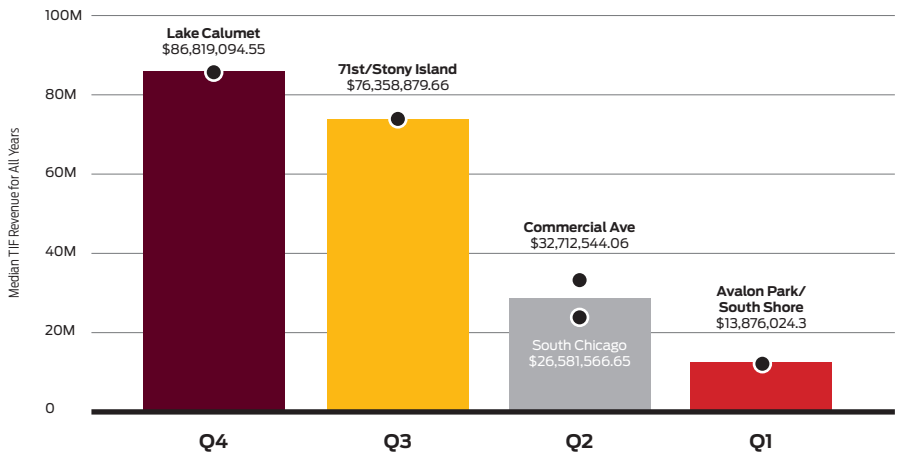
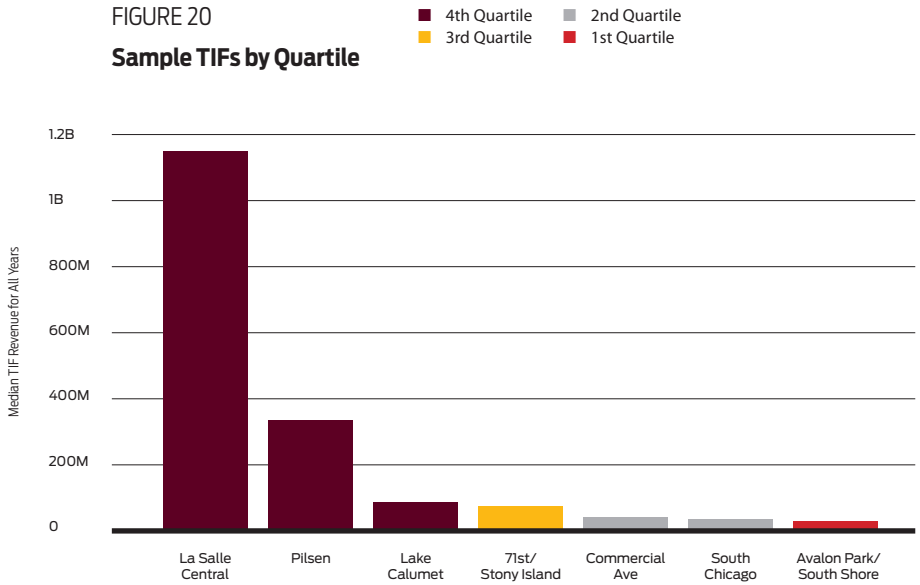


FIGURE 20

Sample TIFs by Quartile



investment that would catalyze government's initial investments. Even when the city government can drive investment with sufficient increment, private investors are less likely to invest in low-income communities.

Aims of Other South Chicago TIFs

71st/Stony Island

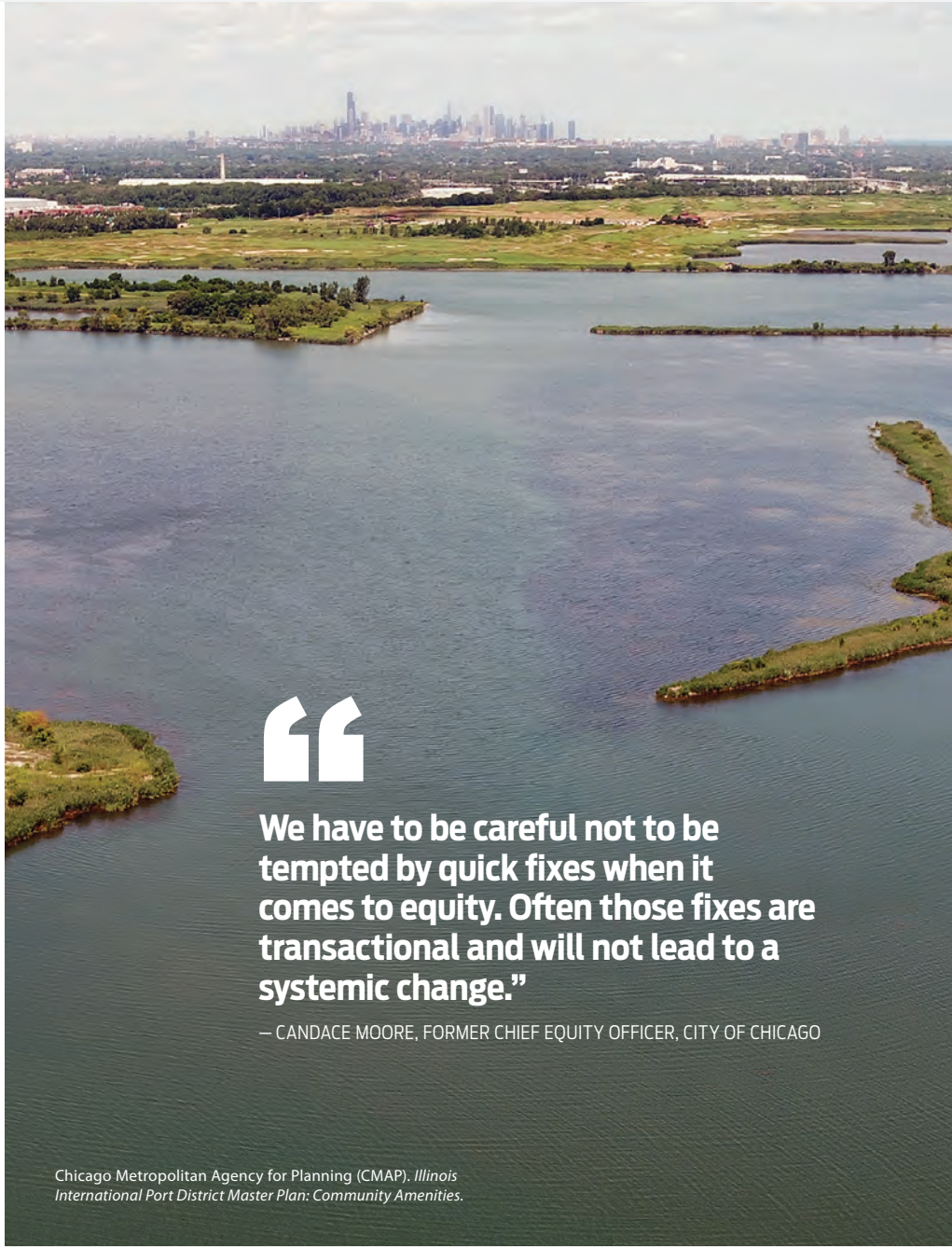
The 71st and Stony Island TIF crosses 497 acres of land across South Shore and Avalon Park. It was designated in 1998 and is set to expire in 2034. The area was made to assist in creating, preparing, and marketing various sites for its residential redevelopment projects. The area's main goals are to develop improvements across the 67th, 71st, and 79th streets in Stony Island and South Chicago. Along with that, the RDA planned on creating off-street parking while also making adjustments and improvements to sidewalks, curbs, gutters, and underground/water systems to increase overall resident experience. To increase resident satisfaction back in 2003, the community was eager for a Starbucks, and so, with the $225,000 funded by TIF, they made it a reality.

Lake Calumet

The loss of the steel and other related industries in Chicago in the 1970s-80s left thousands unemployed and led large plots of land in their communities to deteriorate and remain unutilized. The Lake Calumet Industrial TIF district spans nearly 12,000 acres of land housing abandoned industrial buildings. The goal of the Lake Calumet Industrial TIF was to promote new commercial and industrial business to the area, ultimately providing full employment to residents. It would also fund improved roadways, waterways, utilities, and other infrastructure to support and attract new businesses. The district was designated in 2000. Initially set to expire in 2024, City Council voted to extend the district to 2036.

Avalon Park / South Shore

The Avalon Park / South Shore TIF district encompasses 103 acres across the Avalon Park and South Shore communities, primarily along 79th Street with some portions extending to Vincennes and Exchange avenues. Both South Shore and Avalon serve majority Black communities; however, Avalon Park skews much older with its modal age group being 50-64 and South Shore's modal age group being 20-34. Since the TIF district's designation in 2002, South Shore TIF projects focused on providing pedestrian safety through sidewalk development along the 79th Street shopping corridors and at the 79th Street Metra station. However, the project also covers funds for development for mixed-use buildings, off-street parking, and job creation within the community.



"We have to be careful not to be tempted by quick fixes when it comes to equity. Often those fixes are transactional and will not lead to a systemic change."

— CANDACE MOORE, FORMER CHIEF EQUITY OFFICER, CITY OF CHICAGO

Chicago Metropolitan Agency for Planning (CMAP). *Illinois International Port District Master Plan: Community Amenities.*

South Works Industrial TIF

Named after US Steel Corporation's now-defunct South Works Steel Mill, the South Works Industrial TIF spans 240 acres. At its height in 1972, the South Works Steel Mill employed 15,000 people. Its closure in 1992 significantly impacted the surrounding communities. The South Works Industrial TIF was designated in 1999 to drive industrial jobs back to the area. The goals were to build new streets, utilities, employment, housing and other amenities for area residents. Moreover, job training would also be funded through TIF funds. This TIF district was terminated in 2019.

Chicago Lakeside

The Chicago Lakeside TIF (Phase 1) was designed to house the redevelopment of 87 acres of what used to be the South Works Steel Mill site on the South Side Lakefront. The TIF was made to promote road construction along with other infrastructure projects. Most of the TIF'S funds were used for survey work and property assembly. The TIF was designated in 2010 and was repealed in 2017. Unfortunately, the analysis of the Chicago Lakeside TIF was hindered by the lack of information in the annual reports, raising concerns about the transparency of this particular TIF and its funds.

South Chicago TIFs Comparative Finances

According to City of Chicago TIF Data, South Chicago TIFs collected steadily increasing tax increments from 2017-2023, with the exception of South Chicago TIF. There was a dip in 2019 and 2022, after which the increments increased again. Lake Calumet collected the largest increments, followed by 71st/Stony Island.

71st/Stony Island collected $2.1 million more in 2023 than in 2017, and Lake Calumet collected $3.7 million more. Commercial Avenue and Avalon Park had more modest increases of about $750,000 and $480,000 respectively. South Chicago TIF is the only TIF that collected less in 2023 than in 2017.

South Chicago TIFs varied widely in the proportion of money spent on various expenditures. However, the TIFs consistently spent significant proportions on construction of public works. Lower spending TIFs tended to spend greater proportions on Studies, Administration, and Professional Services; South Works, which raised the least money and spent the least, has 24% expenditures on studies and administration. The highest spending TIF, 71st and Stony Island, spent most of its money on construction of public works and financing costs.

FIGURE 21

Tax Increment in South Chicago TIFs from 2017-2023

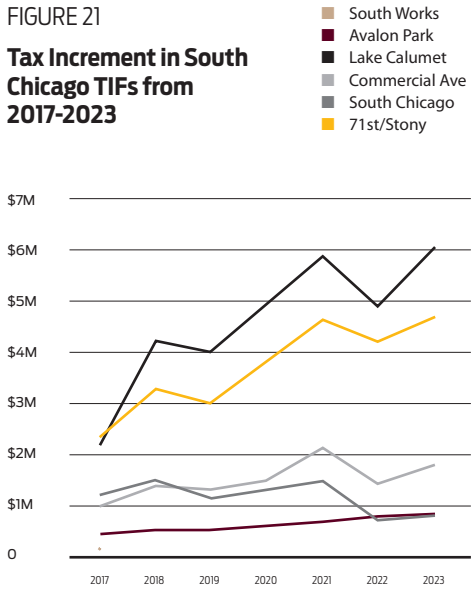


FIGURE 22

Expenditures by Categories by South Chicago TIF

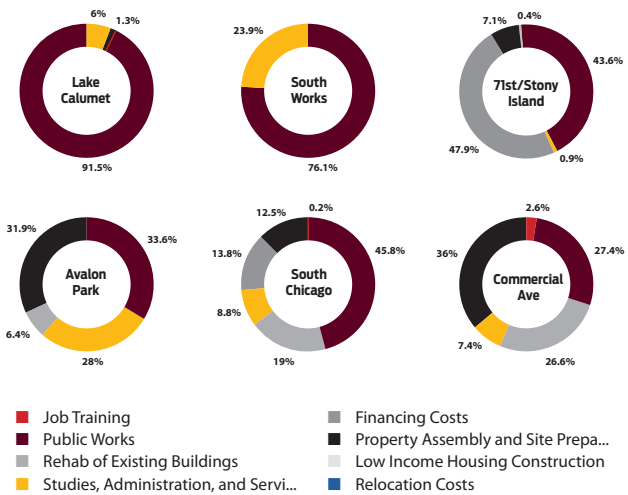


FIGURE 16

Breakdown of Expenditures in Commercial Ave TIF

CATEGORY	TOTAL	% OF TOTAL
Construction of Public Works	$104,787,731.00	49%
Financing Costs	$89,365,592.00	42%
Property Assembly and Site Preparation	$15,155,389.00	7%
Studies, Administration, and Professional Services	$3,419,581.00	2%
Rehabilitation of Existing Buildings	$1,360,324.00	1%
Low Income Housing Construction	$763,109.00	0%
JobTraining	$352,299.00	0%
Relocation Costs	$20,546.00	0%
TOTAL	**$215,224,571.00**	**100%**

Mapping South Chicago TIF Development

The following map shows TIF development for which location data was available in Avalon Park/South Shore, Commercial Ave, 71st/Stony Island, Lake Calumet, South Works and Chicago Lakeside TIFs. This data was culled from annual reports, the data set of TIF Works, Small Business Improvement Funds, TIF Investment Committee Decisions, and Redevelopment Agreements and Intergovernmental Agreements.[13] There are 197 points on the map. 99 of these are properties listed under section 7(c), or Attachment E of the annual reports as "Agreements entered into with regard to the disposition and redevelopment of property within the project area" represented by green dots. 33 of these represent investment through the Small Business Improvement Program represented in red. 72 are TIF Investment Committee approved projects represented in pink. 13 are TIF works investments represented in light blue, and 13 are TIF funded Intergovernmental Agreement.

Small Business Improvement fund development is strongly represented in Commercial Ave and Avalon Park TIFs. Redevelopment Agreement and Intergovernmental Agency Agreements are sparsely scattered throughout the TIF areas, and the only development activity in the Chicago Lakeside and South Works TIFs (boundaries not shown on map) are RDA and IGA related development—namely, the South Works McCaffrey mixed use development project and the Steelworkers Park project.

Though spending in other TIFs is dominated by small-scale investments in TIF Works (job training) and SBIF renovations (support for small businesses), the 71st and Stony Island TIF focused on larger development projects, like Montclare Senior Residents' affordable housing development, the construction of South Shore High School, and Stony Island Starbucks (Figure 24).

FIGURE 24

Map of TIF Development in Selected Additional South Chicago TIFs

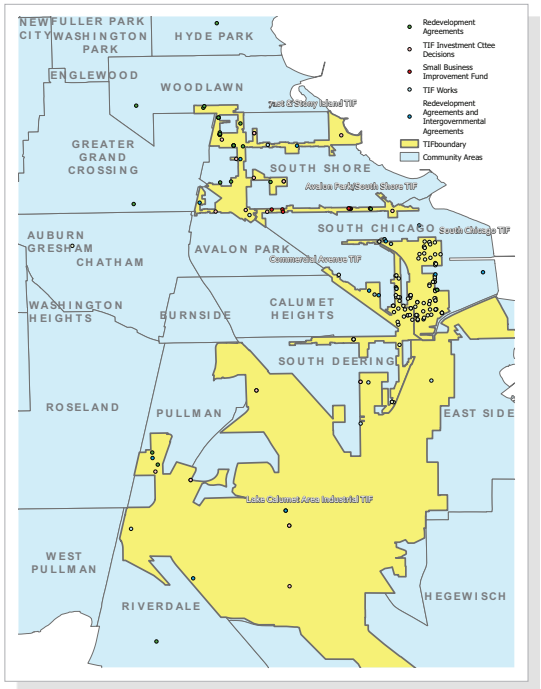
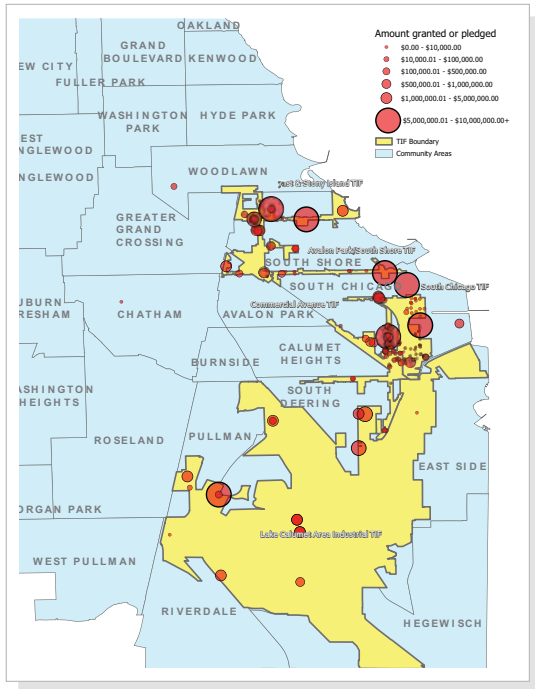
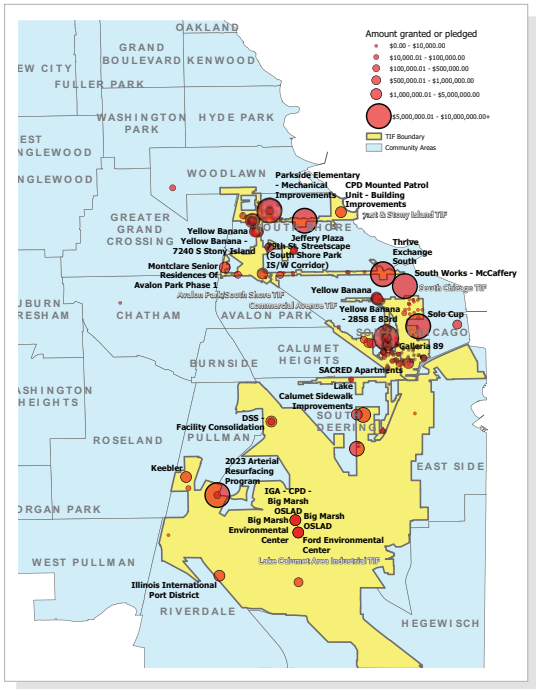


FIGURE 25

Map of TIF Development in South Chicago TIFs by Amount Granted or Pledged





NEIGHBORHOOD TIF COMPARISON

Conclusion

The five neighboring South Chicago TIFs are comparable to each other, with important caveats. Two of the TIFs are in the top half of all TIF revenues in the city, but they are industrial TIF districts which means they have different economic priorities than their neighboring TIFs. South Chicago, Commercial Avenue and Avalon Park/South Shore TIFs are in the bottom half of revenue-generating TIF districts in the city. Aggregated earnings of South Chicago TIFs are dwarfed by revenues raised in a single downtown TIF like La Salle Central.

Overall, the five neighboring South Chicago TIFs concentrated funds on the construction of public works, financing, and to a lesser extent on property assembly, rehabbing new buildings, and studies. Projects addressing low-income housing construction, job training, and relocation costs were few. More immediate benefits to residents are hard to come by with current TIF development. Analysis of the physical and economic blight indicators and scores presented earlier in the report also indicates little change in the social and economic conditions of these communities. South Chicago TIF had many points of smaller developments under $100,000 via Small Business Improvement Funds and redevelopment of properties, while other TIFs were dominated by larger projects like Montclare Senior Residents' affordable housing.



Equity Challenges with TIF

IN THIS SECTION:

Equity Challenges with TIF
Additional Economic Development and Housing Funding Sources
TIF Success Stories



Equity Challenges with TIF

TIF was never meant to be a city's only financial tool for economic development. Governments typically have many sources of funds to drive development in multiple ways. Chicago's problem was relying too heavily on TIF for years instead of using a mix. TIF has been controversial in Chicago because it has built-in equity challenges, limited transparency, and was first used in wealthier areas, creating the perception that it benefits wealthy developers rather than everyday Chicagoans. Some of the "built-in" inequities in TIF include the following:

- **Geographic limitations:** TIF dollars can only be spent inside the district where they're raised, even if nearby areas also need support. This means that if an opportunity arises for a project that is across the street from the TIF boundary, that project cannot have access to TIF funds to make it a reality. This is a problem because TIFs last 23 years, and by the time the district has accrued the most money, priorities may have shifted.
- **Reimbursement structure:** TIF projects, like many government programs, are reimbursement-based, which means there is an inherent limit on the types of businesses that can engage in project work that the TIF funds. Only companies with a large enough cash flow can manage to stay in business while in a large contract that is reimbursement-based.
- **Deepens inequity between neighborhoods:** The entire premise of a TIF is that the additional funds to invest in the neighborhood come as property values rise and the extra "increment" can be used to reinvest back into the neighborhood. This assumption works well in neighborhoods that are already wealthy/on the upswing, where private investment is already willing to go. Those neighborhoods see substantial growth and benefit from a TIF (Kinzie Industrial Corridor is an example here). In places like South Chicago and Englewood, property values stay low, so TIF doesn't generate enough money to drive real change. Because Chicago is so racially segregated, TIF can actually make inequality worse.
- **Accelerate gentrification:** Without strong affordable housing rules, TIF can fuel gentrification and push out current residents.
- **Divert additional tax dollars from other key taxing bodies:** When EAV is frozen and new property tax revenue is accrued in a TIF, that means other taxing bodies, such as CPS and CTA, do not receive additional funds. These agencies get some TIF money but lose the freedom to use it as they see fit. Especially in neighborhoods that generate a substantial increment (where the TIF is arguably not needed), this represents millions of dollars diverted from other taxing bodies.
- **Surplus habits:** Leftover TIF money is often used to balance the city budget instead of funding neighborhood projects. Not only does this habit prolong structural budget challenges, but it reinforces the idea that these districts are just a "slush fund" for politicians and limits the available funding for affordable housing and economic development initiatives.

As a tool, TIF can be used to protect affordable housing as much as it can be used to eliminate it. There are many examples of TIF being used to support neighborhood priorities and make a vision come to reality (see below for two examples). That only happens, however, when a clear policy agenda and programmatic framework is in place and implemented to fidelity. In the last decade, Chicago has made changes to refocus TIF on neighborhoods that truly need investment. One of the primary tactics has been establishing a framework for determining which TIFs should expire versus ones that should be extended based on a more rigorous analysis of blight than the state law requires. The City's Department of Planning and Development will now pursue a TIF extension if it is located in a community of high socioeconomic need and ongoing disinvestment AND there is high enough increment generated that community development projects can be funded. This approach extends TIFs in high-need areas like South Chicago and lets TIFs in wealthier areas expire, returning funds to schools and other services.

Additional Economic Development and Housing Funding Sources

The City has also added new funding sources in the last decade to rely less heavily on TIF.

Below is a short summary of two:

- **Neighborhood Opportunity Fund (NOF)**[xivii]**:** Created under Mayor Rahm Emanuel, this program provides "reimbursement grants up to $250,000 for small business and cultural projects located along West, Southwest, and South Side commercial corridors." Applicants may also qualify for technical assistance support. This program specifically names the geographic areas of the city it wants to support, but it is far more flexible than TIF in terms of where projects can go. This funding is part of the city's annual budget, so it is not as reliable as TIF funds, and the annual amount available is always less than the demand.
- **$1.25 Billion Housing and Economic Development Bond**[xiviii]**:** Bonds are the way most American cities fund affordable housing and economic development projects. Chicago's City Council passed this bond because of the structural decline of funding sources (TIF most importantly, but also the Affordable Housing Opportunity Fund). If another funding source were not procured, there would be a precipitous decline in funds available for these community priorities. Half of the bond is dedicated to affordable housing investments, and half is dedicated to commercial and community economic development.

While TIF as a funding source is not totally disappearing, these alternative sources will ensure that the equity challenges mentioned above are mitigated and supplemented with alternative options.

TIF Success Stories

While much of this paper has described how the South Chicago and Commercial Avenue TIFs have had limited impact in achieving the goals laid out in the RDA, it is important to note that TIF can be a key funding tool to a successful project in neighborhoods outside of the wealthy downtown areas.

Austin Aspire Center for Workforce Innovation[xlix]

Austin is the second-largest community area in Chicago, housing about 100,000 residents, and is 73% Black. Rehabilitating the Emmett School, one of the nearly 50 public schools closed in 2013, was part of the Austin Quality of Life Plan. According to Austin Coming Together, one of the community organizations leading this effort, the new center will provide "workforce training in high-demand economic sectors like advanced manufacturing, social services, financial coaching and counseling, and small business support." The Aspire Center was funded with private funding and over $12M of TIF funds, as well as additional public funds from the State of Illinois and the City of Chicago. The Aspire Center is an exemplar of how economic development investments should function. The beginning is not with the funding source, but with the community's goals. Then, when the goal is clear, the public, private, and philanthropic sectors should find ways to support using any financial tools available (TIF included).

Lucy Gonzalez Parsons Apartments: An Affordable Housing Development in Logan Square

Logan Square, a rapidly gentrifying neighborhood on Chicago's northwest side, was in desperate need of affordable housing options. The Lucy Gonzalez Parsons apartments, funded with $10 million in TIF, opened in May 2023. This development brings 100 affordable units - importantly, multi-family as well as single - to a neighborhood where low-income families were consistently getting priced out. Located directly adjacent to the Blue Line and multiple bus lines, this development is also an equitable transit-oriented development, a policy priority of many Chicago organizing groups and especially of Logan Square community organizations.

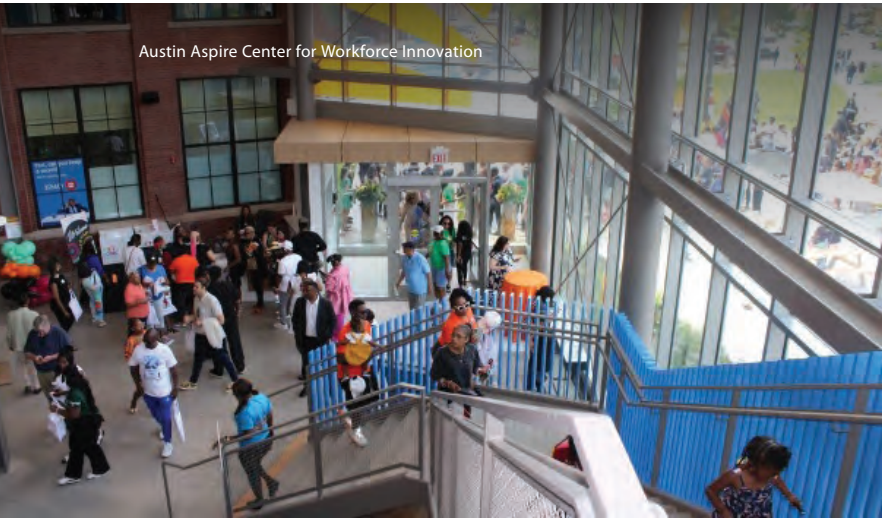
These examples remind us that despite the inherent challenges with TIF, it can be a source of important funding to achieve community goals.

$12M

THE ASPIRE CENTER WAS FUNDED WITH PRIVATE FUNDING AND OVER **$12M OF TIF FUNDS**

$10M

THE LUCY GONZALEZ PARSONS APARTMENTS, FUNDED WITH **$10 MILLION IN TIF**



Austin Aspire Center for Workforce Innovation



Bickerdike Redevelopment Corporation. *Lucy Gonzalez Parsons Apartments.*

Recommendations

IN THIS SECTION:

Recommendations
Local Community Groups
City of Chicago
State of Illinois
Private sector and philanthropy
Universities and Research & Policy Organizations
End Notes



Recommendations

The following recommendations provide a roadmap for making TIF and other economic development tools more effective, transparent, and equitable. They call on community organizations, the City of Chicago, state leaders, private and philanthropic funders, and research institutions to work together on shared goals. These include supporting community-led planning, revising state policy, increasing funding flexibility, improving data transparency, expanding small business support, and building stronger cross-sector partnerships. Taken together, these actions would ensure that TIF and related investments deliver lasting benefits to the neighborhoods they are meant to serve.

Local Community Groups

Support a South Chicago Quality of Life Plan

In neighborhoods like South Chicago, a community-led Quality of Life Plan (QLP) is one of the best ways to attract investment. These plans, co-designed by many community members, set the area's investment priorities. Once these plans are in place, it is easier for the city and state to identify opportunities, both public and private, to align to those goals. The other advantage of a QLP is that it is community-driven, versus the TIF RDAs, which tend to be government-driven.

Fortunately, Claretian has already begun this process for the neighborhood. As the new redevelopment plan is created, TIF funds, especially from the extended South Chicago TIF, should support projects that match this plan's goals.

Leverage new local funding resources

TIF is one financing tool the city has available, and for too long, it was the *only* tool available. Chicago now has several additional financial options outside of TIF that give the South Chicago neighborhood the opportunity to drive greater impact. Building relationships with those teams and understanding any changes or upcoming application opportunities is a key way to gain awareness of more funding and understand what it takes to submit a successful application. The benefit of this funding source is that commercial and housing development in South Chicago does not need to be limited to the geographic boundaries of the TIF – it can be located wherever the community thinks is best, and for more uses than TIF funds. Community organizations should connect to these opportunities as soon as possible and ensure they have a plan in place (recommendation above) to improve their chances of funding.

Build relationships with local government staff

One of the primary ways to access city funds is to ensure community groups are connected not just to the local alderman's office, but also to the staff within the key departments the funds would come from - in this case, the Department of Housing (DOH) and the Department of Planning and Development (DPD). Community groups should build strong relationships with these city teams to stay informed about funding opportunities and how to apply successfully. Fortunately, DPD and DOH have recently published a staff organizational chart, which makes contact much easier. To be clear, these relationships do not guarantee funding – instead, they improve the chances that community organizations will be aware of funding opportunities.

City of Chicago

Keep TIF as one tool in the city's financial toolbox while cementing equitable evaluation into law

Chicago's long-term financial obligations are substantial. The city has an unfunded pension liability of over $30 billion, and annual corporate budget gaps consistently run in the hundreds of millions of dollars.[i] This reality means that closing off any economic development funding source would be irresponsible and short-sighted. TIF has flaws, but if the city writes equity rules into law, it can still be a valuable resource for neighborhoods that need major investment. For example, the City may consider allowing TIF districts in higher-growth areas to expire while maintaining districts in underinvested areas where poverty and unemployment rates are below the citywide average (such as downtown and West Loop) and keep districts operational in the neighborhoods where poverty and unemployment are higher than the citywide average (such as South Shore and Austin). In addition to the reforms suggested below, it is likely that this could support economic transformation in the neighborhoods that need it most.

Establish a commission to explore and develop new ideas for equitable economic incentives, including the development of inclusive incentive scorecards

While the city now has TIF and bond funds, these remain insufficient for the level of investment needed in South and West side neighborhoods. The city should create an Equitable Incentives Commission to develop new strategies and design a scorecard to measure fairness in economic development. Initially developed by The Brookings Institute, scorecards can vary based on the city/region in question and their local goals.[ii] Scorecards can help city leaders and developers understand and evaluate the extent to which incentives spur good job creation, skills training and workforce development, job access and sustainability, and diverse business ownership and governance. Indianapolis, for example, created a scorecard to evaluate whether economic development projects provide opportunities for good wages and benefits, are in accessible areas for low-wage workers, and offer transit, workforce training, and childcare support for employees. A citywide standardized scorecard for economic incentives could support greater investment in low-income neighborhoods, such as South Shore, regardless of who sits in the Mayor's Office.

Drive greater data and information transparency around financial tools

There is a plethora of information about Chicago TIFs available online from numerous sources, but for external groups trying to understand simple questions such as "how much money is available in this TIF, what are the major projects this TIF has contributed to, and how do we know how much has been spent over time," the answers are challenging to find. Part of this is due to TIF transparency requirements that are not paired with additional staff capacity to help communicate the information clearly, and part of it is because there are so many different sources of TIF information that it is difficult for a community organization to understand where to look. This is true of many aspects of city government, but given the money involved in TIF, building a clear, easy-to-use data system to explain what's happening in each TIF is key to building trust in government and helping community groups understand resources available in their community. This could mean one centralized data set for each TIF accurately listing annual and cumulative increment and EAV, projects implemented, money spent over the course of the TIF for each project, progress achieved for each project, impact of projects on

surrounding property values, and funds available for community projects. Communities have a right to accessible data about the money flowing through their communities. The city has a good initial start on this sort of tracking with the Cut the Tape initiative's tracker.

Commit to additional community engagement in the creation of the extended South Chicago and Commercial Avenue TIFs

All redevelopment agreements require community engagement when they're being created. The extent of that community engagement varies, however, and is an area where the city could do more to ensure widespread knowledge about the opportunity for input and inclusive opportunities to influence the vision of the neighborhood. Aldermen can play a key role in elevating this opportunity and bringing community stakeholders together to participate. In addition to alders, city staff can partner with the Office of Equity and Racial Justice and Office of Community Engagement for ideas on how to build more inclusive community engagement strategies (DPD included goals around community engagement in its Racial Equity Action Plan).[lii]

Pilot up-front loans instead of solely using a reimbursement-based funding structure

The City of Chicago should prioritize reforming financing opportunities for small businesses and developers. The current reimbursement-based structure of TIF and other city funding mechanisms makes it expensive, and in some cases impossible, for new and/or small businesses to participate in city funding opportunities, particularly businesses in communities of color without the same access to banking and loan options. While the most recent three mayors have prioritized greater access to city funding streams, the city's legal and budget teams' unwillingness to adjust their risk tolerance has meant these shifts are not fundamentally transforming access to funds. Small businesses still face major barriers to accessing city funding and staying afloat after receiving it.

In addition, while most projects are not fully funded by the city (nor should they be), the barriers to gaining private sector funding are substantial, particularly for Black developers working in majority Black neighborhoods. Finding opportunities to pair new developers with existing experienced ones can be a strategy that the Mayor's office and Aldermanic offices pursue to expand access.

Provide an easy-to-review summary of economic conditions when TIFs expire

In conducting the analysis for this paper, it became quickly apparent that evaluating "the success" of a TIF district was extremely challenging. The transparency concerns listed above are one reason, but a second is that it is challenging to identify the specific blight criteria that were used to create the TIF. This information is included in the Redevelopment Agreements, but when a TIF expires it is unclear if there is an evaluation of whether those specific blight criteria are measured again to determine any change/impact. While TIF is one tool and is not a panacea for decades of systemic racism, it would increase trust in the tool and the overall city funding system if there was a clear before-and-after evaluation of the key criteria used for each TIF. If/when there are situations in the middle of a TIF's existence that disrupt growth (such as the COVID-19 pandemic or the 2008 financial crisis, for instance), those can be named in the explanation. The city should invest in clear summaries of each TIF's results; the upfront cost would pay off by building public trust

Prioritize establishing the city's recommended revolving loan fund [liii]

The proposed Small & Emerging Business Revolving Loan Fund (RLF) is one of the most promising parts of the new bond program. The RLF will "provide low-interest loans that would be repaid to the City over an estimated term of five years, although other alternatives such as a loan loss reserve may be considered." [liv] outcomes side (more projects getting completed) and the pipeline side (expanding the number of minority/small businesses that can do business with the city). One challenge in political spaces, however, is the risk of losing momentum. This opportunity is a significant win for South and West side communities, and it is vital that city leadership stays laser-focused on building it The city already successfully passed the Green Social Housing Ordinance that creates a revolving loan fund for housing, so passing one for small businesses is a logical next step.

State of Illinois

Revise the TIF act to expand allowable uses of TIF funds

Two challenges of TIF are the limitations on allowable uses and its reimbursement-based funding structure. As discussed earlier in the paper, there are very limited activities not related to brick/mortar repairs that TIF can be used for (the job training opportunities in the TIFWork's program are the primary non-capital expense allowed). There are numerous other investments that can help a neighborhood grow economically, from more extensive youth and job training opportunities to education and environmental investments. Calls for reform have been around since at least 2011, so state leaders should act now to support underinvested communities. Reforming the state law in partnership with municipalities and community advocates is a key way to ensure the funds can be used to align with community goals.

Provide consistent funding for economic development efforts that prioritize racial equity

One reason Chicago over-relied on TIF for economic development funding is the lack of additional investment from other sources. The State of Illinois has a vested interest in supporting the poorest neighborhoods in the state, particularly given the historically limited state investment in communities of color. The state can reduce Chicago's reliance on TIF by increasing its own investment in housing and economic development for these neighborhoods.

Private sector and philanthropy

Partner and fund local community groups and align resources with their community plans

As discussed throughout the paper, TIF is one tool the city has available to support housing and economic development, but for a significant project to succeed, such as an affordable housing complex, a job training site, etc., diverse funding sources are required. Austin's ASPIRE Center for Workforce Innovation is an exemplar of what braided funding from private, public, and philanthropic sources can produce. $19.5 million was from city sources ($12.25 million

from TIF) and other funders such as Blue Cross Blue Shield, The Joyce Foundation, and $10 million from the State of Illinois helped make up the difference.[lvi] These additional sources were essential to ensuring the project came to fruition.

Too often, developers plan projects without involving longtime community members. This lack of coordination and partnership often leads to displacement, gentrification, and the elimination of key cultural and historical spaces of belonging for communities of color, as mentioned above with the population decline of Black Chicagoans. Anytime a company is interested in building a new campus or making a major investment, it must connect with community leaders and center their needs.

An immediate example of this raised by community partners during the course of this research is the Illinois Quantum and Microelectronics Park, planned for the long-vacant USX site.[lvii] If done in partnership with local residents, this could be the employment opportunity residents have been waiting for since the closure of the steel plants. If handled without community input, this project could continue the displacement of low-income Black families that has plagued the area for decades. The South Chicago TIF and Lake Calumet TIFs, extended for an additional twelve years by the Chicago City Council in December 2024, will be key tools to drive investment. Whether that investment is for good or ill depends on the level of partnership and involvement of local groups.

Fund coalitions that bridge research and reality

Private sector and philanthropic funders should prioritize long-term research-practice partnerships that bring together multiple universities, research and policy centers, and community-based organizations. Too often, these institutions are brought in as external consultants, disconnected from the day-to-day realities that shape real progress. Community organizations—especially those focused on housing, workforce development, and economic growth—need data and analysis to build strong, fundable plans, but often don't have the capacity to do it alone. These partnerships offer real benefits across the board. Universities can root their research and teaching in lived experience while creating high-impact, experiential learning opportunities for students. Research and policy centers can stay closely aligned with the issues communities are facing in real time. And together, these coalitions can shape the kind of work that not only responds to the present moment but also informs long-term systems change.

Universities and Research & Policy Organizations

Create sustained partnerships across sectors

Universities and research & policy organizations should serve as long-term collaborators with community groups and public agencies, not just short-term consultants. These partnerships should bring together government, community, private, and philanthropic groups and focus on practical solutions, not just reports.

This report provides one example of how that model can operate in practice. The collaboration between IRJ and Claretian Associates involved community sessions, co-designed research questions, student researcher integration, and iterative feedback from practitioners. This type of collaborative structure is replicable and can strengthen the relevance and impact of future research efforts.

Align research with community-driven agendas to produce actionable knowledge

Research, whether from universities, nonprofits, or independent research and policy centers, should be guided by community priorities. This includes engaging with community members at the very beginning to co-develop research questions, understand local expertise, and ensure findings inform the outcomes communities care most about, such as affordable housing, small business support, and public accountability.

Build infrastructure for local data access and use

Support the creation of transparent, community-friendly data tools that help residents, small businesses, and local leaders better understand how public financing tools (like TIF and bonds) work—and perhaps most importantly, where they fall short. Partner with grassroots organizations to ensure these tools are accessible and actually used.

Help evaluate current policy to shape more effective reforms

Encourage greater focus on public policies currently in place before making recommendations on where policymakers should go next. Researchers should study how existing policies are working, where they're falling short, and why. This analysis can guide the refinement of existing policies—such as potential revisions to the Illinois TIF statute—and inform the development of new ones. It's especially important to assess long-term impacts in historically disinvested communities.

Conclusion

The City of Chicago has historically struggled to use TIF to drive transformative change in many Chicago neighborhoods. This limitation is due to both the inherently inequitable structure of TIFs (geographic limitations, limited allowable uses, and reimbursement-based structure) and the city's overall precarious financial position.

Claretian and Fifth Third Bank have already taken steps to see that residents and organizations in South Chicago have a greater understanding of the South Chicago and Commercial Ave TIFs to hopefully spur additional take-up in the community. Through collaborative efforts with various organizations committed to revitalizing the community, they have fostered a strong collaborative dedicated to empowering the futures of its residents. These efforts already demonstrate the powerful impact of targeted investment and set a precedent for how community organizations can better leverage TIFs to create meaningful, sustainable change in underserved neighborhoods.

As discussed, the City is in the process of moving away from TIFs as the primary tool for affordable housing and economic development investment. The 2024 Affordable Housing and Economic Development Bond issuance is a clear example of the city's policy shift away from limited tools and towards the more equitable funding sources that other cities across the country use to invest. This shift is not enough, however, to address the substantial need in Chicago. The State of Illinois and private and philanthropic partners should replicate the portions of projects like the ASPIRE Center in Austin and the Emmett Street Apartments in Logan Square that provide exemplars for how to braid private and public funds and center community goals.

RECOMMENDATIONS

[i] "Tax Increment Financing." Illinois Department of Commerce and Economy Opportunity. https://dceo.illinois.gov/expandrelocate/incentives/taxincrementfinancing.html

[ii] City of Chicago Department of Planning and Development. 13 December 2024. "Eight TIF districts approved for extensions." https://www.chicago.gov/city/en/depts/dcd/provdrs/ec_dev/news/2024/december/eight-tif-districts-proposed-for-extensions.html

[iii] Illinois Municipal League. TIF Reform Task Force Final Recommendations. 1 June 2018. www.iml.org/file.cfm?key=14158

[iv] Illinois Municipal League. TIF Reform Task Force Final Recommendations. 1 June 2018. www.iml.org/file.cfm?key=14158

[v] One item to note: "blight" today is not a word typically used to describe low-income communities needing investment, but it is the word used in the State legislation authorizing TIF, so it is a word we will continue to use throughout this paper when we mean "the criteria by which a geographic area qualifies to become a TIF." In other instances, we will use more common language of the 21st century such as underinvested, or under-resourced.

[vi] City of Chicago Department of Planning and Development. (2020). Page 5 "Tax Increment Finance Program Guide." https://www.chicago.gov/content/dam/city/depts/dcd/general/2020_tif_program_guide.pdf

[vii] City of Chicago - Office of Budget and Management, TIF Status and Eligibility (October 31, 2022, distributed by City of Chicago Data Portal, https://data.cityofchicago.org/Community-Economic-Development/TIF-Status-and-Eligibility/3qsz-jemf/about_data

[viii] Community Area Census Profiles. 2000. https://www.chicago.gov/city/en/depts/dcd/supp_info/community_area_2000censusprofiles.html CMAP Neighborhood Profiles, South Chicago. 2022 https://cmap.illinois.gov/data/community-data-snapshots/

[ix] https://www.cmap.illinois.gov/wp-content/uploads/dlm_uploads/South-Chicago.pdf

[x] https://www.chicago.gov/content/dam/city/depts/dcd/we_will/we_will_documents/cpc/WWC_EconDev_CPC.pdf

[xi] Even as housing values increased, housing costs did so as well, and income did not rise in proportion. Homes that are "cost-burdened" mean "more than 30 percent of its income is spent on mortgage, rent, or other housing needs." The average Chicago owner-occupied households that are cost-burdened is 29.4%, and in South Chicago it is 29.6%, indicating close alignment to the city average.

For renter-occupied households, the share of households that are cost-burdened citywide is 48.1% but in South Chicago it's 55.3%, indicating that it is the renters in South Chicago who face the most substantial financial risk today. Renters now constitute more than half of South Chicago residents.

According to WBEZ (https://interactive.wbez.org/2020/banking/disparity/), from 2012-2018 "68.1% of mortgage loans went to majority-white neighborhoods, while just 8.1% went to majority black and 8.7% to majority-Latino neighborhoods." South Chicago is one of the neighborhoods with the lowest mortgage activity in the city (in 2020, less than .5x the citywide average mortgage activity).

http://www.chicago.gov/content/dam/city/depts/dcd/we_will/HousingNeighborhoods_DPD_WWC_Plan_071422.pdf

[xii] https://www.housingstudies.org/data-portal/geography/south-chicago/#cost-burdened-households

[xiii] Ibid.

[xiv] Ibid.

[xv] Vacant household units grew dramatically, and major swathes of South Chicago have shifted from majority homeowner to majority renter. Cromwell, Molly. (2021). "Renters more likely than homeowners to spend more than 30% of income on housing in almost all counties." U.S. Census Bureau. Available at: https://www.census.gov/library/stories/2022/12/housing-costs-burden.html

[xvi] Cook County Clerk's Office, 2023 Office of the Cook County ClerkTIF District Summary - City of Chicago Only 2022 to 2023 Revenue Comparison. https://www.cookcountyclerkil.gov/sites/default/files/pdfs/2023%20Chicago%20TIF%20Summary.pdf.

[xvii] City of Chicago Department of Planning and Development, 10-Year TIF Projections: 2024 Mid-Year Report: Discover the Future of Chicago's Development, September 2024. https://www.chicago.gov/content/dam/city/depts/dcd/tif/projections/report_0924.pdf.

[xviii] Department of Planning and Development, Tax Increment Financing (TIF) Annual Report - Analysis of Special Tax Allocation Fund (December 10, 2024), distributed by City of Chicago Data Portal, https://data.cityofchicago.org/Community-Economic-Development/Tax-Increment-Financing-TIF-Annual-Report-Analysis/qm7s-3ctt/about_data.

[xix] City of Chicago Department of Planning and Development, "TIF District Annual Reports (2004–Present)," City of Chicago, accessed February 26, 2025, https://www.chicago.gov/city/en/depts/dcd/supp_info/tif-district-annual-reports-2004-present.html.

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[xxii] Financial Incentive Projects - TIF Works (July 26, 2022), distributed by City of Chicago Data Portal, https://data.cityofchicago.org/Community-Economic-Development/Financial-Incentive-Projects-TIF-Works/v7gx-e2v6/about_data.

[xxiii] https://www.chicago.gov/city/en/depts/dcd/supp_info/tif/south_chicago_tif.html

[xxiv] City of Chicago Department of Planning and Development, South Chicago Tax Increment Financing Redevelopment Area Project and Plan (Chicago: City of Chicago, 2000), 28784, https://www.chicago.gov/content/dam/city/depts/dcd/tif/plans/T_093_SouthChicagoRDPORD.pdf.

[xxv] Ibid, 28811.

[xxvi] City of Chicago Department of Planning and Development, South Chicago Tax Increment Financing Redevelopment Area Project and Plan (Chicago: City of Chicago, 2000), 28816. https://www.chicago.gov/content/dam/city/depts/dcd/tif/plans/T_093_SouthChicagoRDPORD.pdf.

[xxvii] Ibid, 28821.

RECOMMENDATIONS

[xxviii] Ibid, 28875-28877.

[xxix] City of Chicago, Department of Housing, "Tax Increment Financing – Neighborhood Improvement Program (TIF-NIP)," accessed March 3, 2025, https://www.chicago.gov/city/en/depts/doh/provdrs/homeowners/svcs/tif-nip.html.

[xxx] Ibid.

Also, an Adjacent Neighbors Land Acquisition Program made it possible for homeowners to buy adjacent vacant lots at less than the market value to create gardens, sideyards, or other open space improvements.

See City of Chicago Department of Planning and Development, South Chicago Tax Increment Financing Redevelopment Area Project and Plan (Chicago: City of Chicago, 2000), https://www.chicago.gov/content/dam/city/depts/dcd/tif/plans/T_093_SouthChicagoRDPORD.pdf.

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[xxxii] Local Initiatives Support Corporation, "Sacred Apartments," LISC, accessed February 26, 2025, https://www.lisc.org/our-resources/resource/sacred-apartments/

[xxxiii] The same is true for projects focused on site preparation. As described in TIF 101, this is because generally speaking the greatest amount of increment in a TIF is not accrued until its final years of existence.

[xxxiv] City of Chicago Department of Planning and Development, Annual Tax Increment Finance Report for South Chicago (Chicago: City of Chicago, 2017), 11, https://www.chicago.gov/content/dam/city/depts/dcd/tif/17reports/T_093_SouthChicagoAR17.pdf.

[xxxv] https://www.chicago.gov/city/en/depts/dcd/supp_info/tif/commercial_avenuetif.html

[xxxvi] City of Chicago Department of Planning and Development, Commercial Avenue Tax Increment Financing Redevelopment Area Project and Plan (Chicago: City of Chicago, 2002). https://www.chicago.gov/content/dam/city/depts/dcd/tif/plans/T_128_CommercialRDP.pdf.

[xxxvii] City of Chicago Department of Planning and Development, Commercial Avenue Tax Increment Financing Redevelopment Area Project and Plan (Chicago: City of Chicago, 2002), 32. https://www.chicago.gov/content/dam/city/depts/dcd/tif/plans/T_128_CommercialRDP.pdf.

[xxxviii] Ibid, 33. The applicants also assumed that the state equalization factor would equal 2.1909 when calculating the anticipated EAV.

[xxxix] City of Chicago Department of Planning and Development, Commercial Avenue Tax Increment Financing Redevelopment Area Project and Plan (Chicago: City of Chicago, 2002), 34. https://www.chicago.gov/content/dam/city/depts/dcd/tif/plans/T_128_CommercialRDP.pdf.

[xl] Ibid, 12-13.

[xli] Ibid. 33.

The overall redevelopment concept involved improving the system of corridors, fill-in residential development, retaining and enhancing existing businesses, new commercial and light industrial business development, and institutional, entertainment, cultural and retail development of vacant or underutilized properties. Buildings and infrastructure would be upgraded to enhance the overall image and appearance of the neighborhood. Job training, job opportunities, and opportunities for women-owned, minority-owned and local businesses and local residents in employment and construction was also emphasized.

[xlii] Ibid, 7-8.

[xliii] 548 Enterprise, "Galleria 89," 548 Enterprise, accessed February 26, 2025, https://www.548enterprise.com/projects/galleria-89

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[xlv] Atavia Reed, "2 South Side Save A Lot Grocery Stores to Reopen Thursday, with 3 More Expected in December," Block Club Chicago, November 7, 2024, https://blockclubchicago.org/2024/11/07/2-south-side-save-a-lot-grocery-stores-to-reopen-thursday-with-3-more-expected-in-december/.

[xlvi] Chicago Park District, "Batter Up! Chicago Park District, Chicago Cubs Charities and City Leaders Step Up to the Plate to Break Ground on New Turf Field," Chicago Park District, August 15, 2024, https://www.chicagoparkdistrict.com/about-us/news/batter-chicago-park-district-chicago-cubs-charities-and-city-leaders-step-plate-break.

[xlvii] https://www.chicago.gov/city/en/sites/neighborhood-opportunity-fund/home.html

[xlviii] https://www.chicago.gov/city/en/sites/business-and-neighborhood-development-strategy/home.html

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[l] Center for Tax and Budget Accountability. May 2024. "Understanding and Addressing Chicago's Pension Funding Crisis." https://www.ctbaonline.org/reports/understanding-and-addressing-chicago%E2%80%99s-pension-funding-crisis

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[liv] City of Chicago Department of Housing and Department of Planning and Development. "$1.5 billion Housing and Economic Development Bond (2024-2028)." Accessed April 2025. https://www.chicago.gov/city/en/sites/business-and-neighborhood-development-strategy/home/economic-development-allocations.html

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