

**ASSESSING THE IMPACT OF TAX INCREMENT  
FINANCING IN NORTHEASTERN ILLINOIS**

**EMPIRICAL ANALYSIS AND CASE STUDIES**



**The Civic Federation**

**R E S E A R C H   S E R I E S**

**ASSESSING THE IMPACT OF TAX INCREMENT  
FINANCING IN NORTHEASTERN ILLINOIS**  
**EMPIRICAL ANALYSIS AND CASE STUDIES**

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## FOREWORD

The Civic Federation has monitored and evaluated the tax policies and financial practices of local governments in Northeastern Illinois for over a century. We have always taken a particular interest in evaluating the operation and impact of tax incentive programs provided by state and local government to spur economic development.

Since the 1970s, tax increment financing (TIF) has been one of the most widely used tax incentive programs and economic development tools available to local governments in Illinois. TIF is designed to offer local governments the ability to promote projects in areas that would not otherwise receive investment. However, to date, there has been little effort to compile comparative data and conduct analyses that measure the tax and economic impact TIF has upon local government finances. To address the lack of research in this area, The Civic Federation joined with the Institute of Government and Public Affairs at the University of Illinois (IGPA) and the Metropolitan Planning Council to undertake the Northeastern Illinois Tax Increment Finance Project.

The purpose of this study was twofold: 1) to evaluate the tax and economic development impact of TIF on the region and on selected municipalities; and 2) to provide a detailed description of the operation and performance of select TIF districts. We hope that the information in this study will not only shed some light upon the operation and impact of TIF in Northeastern Illinois, but will also stimulate discussion of the advantages and limitations of current municipal tax increment finance policy.

The Northeastern Illinois Tax Increment Finance Project was prepared by a team of experts in tax increment finance. At this time, we would like to express a special word of thanks to the authors:

- Dr. Richard F. Dye, the Ernest A. Johnson Professor of Economics at Lake Forest College and Adjunct Professor at the Institute of Government and Public Affairs at the University of Illinois, who authored "A Comparative Analysis of Tax Increment Financing in Northeastern Illinois;"
- Krista Grimm, an independent consultant affiliated with the Metropolitan Planning Council, who authored the City of Chicago case studies; and
- David Silverman of S.B. Friedman & Company, a member of The Civic Federation, who authored the suburban Cook County case studies.

We would also like to thank Peter Skosey, Urban Development Director of the Metropolitan Planning Council, for his invaluable assistance in administering and editing the study; Susan Fortin, Research Associate at The Civic Federation for her helpful suggestions and editorial assistance; and all the members of The Civic Federation, the Metropolitan Planning Council, and the Institute of Government and Public Affairs who participated in the study.

The Civic Federation is indebted to the generosity of Chicago Dock & Canal Trust; Kenny Brothers, Inc.; Chapman & Cutler; The Thomas J. Klutznick Company; and the Arthur Rubloff Residuary Trust for funding the Northeastern Illinois Tax Increment Finance Project.



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## INTRODUCTION

**Roland Calia, Ph.D.**

Director of Research, The Civic Federation

Tax increment financing (TIF) programs are a widely used economic development, intended to spur private investment in blighted areas. They are designed to offer local governments the ability to promote projects in areas that would not otherwise receive investment.

TIF is popular with many municipal officials in Illinois because it is viewed as a means of attracting private development and consequently expanding local tax bases without raising property taxes or tapping into general funds. However, its use has also generated controversy because the TIF statute's definition of "blight" can be broadly interpreted, and it allows municipal officials unilaterally to make important financial decisions that affect the tax base of school districts and other overlying districts. Despite the popularity of tax increment financing in Illinois and the controversy that surrounds its use, there has been little effort to date either to compile comparative data, or to evaluate the impact of TIF upon local governments.

The primary purpose of the Northeastern Illinois Tax Increment Finance Project is to help address the lack of research in this area. Specifically, the Project has analyzed the effect tax increment financing has upon economic development and the property tax base in both the entire six-county region of Northeastern Illinois and a selected group of Cook County municipalities between 1982 and 1994. We hope that the data and analysis contained in this report will help enrich current discussions about the advantages and limitations of TIF policy in Illinois.

## METHODOLOGY

The Northeastern Illinois Tax Increment Finance Project includes two components: (1) a regional database of TIF districts in the six counties in northeastern Illinois, and (2) ten case studies of selected TIF districts in Cook County.

For the first component, researchers at the Institute of Government and Public Affairs at the University of Illinois compiled a database linking property tax, sales tax, population, and other information for each municipality, TIF district, and overlying governments in the six-county northeastern Illinois region. The database was used to make inferences about the impact of TIF from a number of statistical comparisons--comparisons of property tax receipts for years before and after TIF adoption, comparisons of communities with and without TIF districts, and comparisons of TIF districts with non-TIF portions of host municipalities. The report is entitled, "A Comparative Analysis of Tax Increment Financing in Northeastern Illinois."

The Project's second component consists of case studies of tax increment financing districts in the City of Chicago and suburban Cook County. To conduct the case studies, researchers interviewed municipal, overlying taxing bodies and community officials, and reviewed relevant TIF district and municipal documents including Redevelopment Plans and Agreements, City Council proceedings, and municipal financial reports. Researchers examined the fiscal impact of TIF on the property tax base of municipalities and other taxing bodies and attempted to evaluate whether the projects met their original redevelopment goals. They also examined municipal and overlying taxing body relations regarding TIF district adoption and operation.

The ten TIF districts were chosen to provide a degree of geographic and TIF-type diversity, with five selected from the City of Chicago and five from suburban Cook County. The Chicago TIF districts include: North Loop; Near South; Division and North Branch; West Ridge/Peterson Avenue; and 95th and Stony Island. The suburban case studies include: Franklin Park Redevelopment Project Area III; Matteson Industrial Park Conservation Area; Homewood Central Business District Redevelopment Area; Old Schaumburg Center; and the Berwyn Theater Redevelopment Project.

Given the small size of the sample, it is impossible to draw broad conclusions about TIF from these ten cases. However, the case studies are useful in providing "snapshots" of how TIF has operated in practice in these different municipal environments.

## **SUMMARY OF FINDINGS**

The following section briefly describes the major findings of both components of the Northeastern Illinois Tax Increment Financing Project. A fuller discussion of major findings appears in the executive summaries found in succeeding pages.

### *Regional Database*

The Northeastern Illinois Tax Increment Finance Database has been designed to address a number of questions:

- (1) What are the characteristics of municipalities that adopt TIF?
- (2) How do growth rates in property values compare between municipalities containing TIF districts and those that do not?
- (3) How do growth rates in property values compare between the years before municipalities adopt TIF and the years after?
- (4) How do growth rates in property values compare between the portion of a municipality containing a TIF district and the portion that does not?
- (5) If TIF adoption is associated with increased property values, is it possible to determine whether TIF adoption causes growth or whether anticipated growth causes TIF adoption?

Analysis of the database indicates that compared to non-TIF-adopting municipalities, TIF-adopting municipalities:

- Are more likely to be located in Cook County;
- Have larger populations;
- Have slower rates of population growth;
- Have lower per-capita incomes;
- Have higher property tax rates;
- Have a larger share of non-residential property in their tax base; and
- Receive more sales tax revenue per capita.

These variables are correlated, however, and only two—population and the share of non-residential property in the tax base—are statistically significant determinants of TIF adoption in a multi-variable model. Most of the analysis concentrates on annual growth rates of municipality-wide property values. When averaged over all municipalities and all years, the TIF-adopting municipalities have a lower growth rate in property values than do the non-TIF-adopting municipalities. This finding probably says more about the types of communities that are attracted to TIF as an economic development incentive than it does about the impact of TIF on growth rates.

If the prototypical TIF project involves substantial improvements to property that initially has a low value, we would expect TIF to result in relatively large percentage increases in property value. But in one-third of all TIF districts the growth rate in property values is less than for the non-TIF portion of the host municipality.

In a multiple regression model that controls for a number of other variables that might impact annual rates of growth in municipal property values, the presence of a TIF district has no statistically significant impact on growth in EAV (equalized assessed value). Using these techniques, the data cannot be used to address the question of whether anticipated growth causes TIF adoption or TIF adoption causes growth.

### *Case Studies*

The case studies attempted to evaluate individual TIF district performance based on a series of questions:

- (1) What factors prompted municipalities to adopt TIF?
- (2) What types of planning processes were undertaken prior to implementing the TIF district?
- (3) What kinds of financing were used to develop the TIF?
- (4) What was the scope of public comment and/or concerns and of intergovernmental review by overlying taxing jurisdictions?
- (5) How did TIF districts “perform” based on trends in Equalized Assessed Value (EAV) since inception and based on evidence of physical development within the district?

Researchers also discussed the impact of data limitations upon their evaluation of TIF. Some of the highlights of case study findings are presented in the table below.



Figure 1-1  
SUMMARY OF TIF CASE STUDY FINDINGS

	CITY OF CHICAGO	SUBURBAN COOK COUNTY
<b>WHY WAS TIF SELECTED?</b>	1) The projects under consideration would not qualify for federal economic development assistance and/or 2) Available state and local incentives would be insufficient for project completion.	1) The projects under consideration would not qualify for federal economic development assistance and/or 2) Available state and local incentives would be insufficient for project completion 3) TIF was used to level the "playing field" with lower-tax collar counties.
<b>PLANNING CONTEXT</b>	The City undertook a great deal of market analysis and incorporated community input into the development of the North Loop and Near South TIF districts. However, in the case of the three neighborhood TIF districts, TIF was adopted in response to developer projects, outside the context of a comprehensive community plan and with less community input.	With the exception of the Schaumburg district, TIF districts were implemented without a broader community planning context. In these cases, TIF was used to address site specific development problems, not as a tool to achieve broad economic development objectives.
<b>TIF FUNDING</b>	4 of the 5 TIF districts were financed through limited obligation bonds. The North Loop TIF district was financed with general obligation bonds.	3 of the 5 communities - Franklin Park, Homewood and Matteson - used general obligation bonds to finance TIF district developments. Matteson also issued TIF revenue bonds for public and private development project costs.
<b>PUBLIC COMMENT</b>	There was a degree of citizen participation at mandatory public meetings held prior to TIF district adoption. However, there was little citizen participation in the planning process, except in the case of Near South TIF district.	All of the communities had some level of citizen participation at the mandatory public meeting held prior to the TIF district adoption.
<b>INTER-GOVERNMENTAL REVIEW</b>	Overlying governments did not monitor TIF development or participate in Joint Review Boards to any appreciable degree.	There was an appreciable level of intergovernmental review only in Homewood and Matteson.
<b>EAV TRENDS</b>	Compound EAV growth in each TIF district greatly outpaced compound EAV growth for the entire City of Chicago during comparable periods.	Compound EAV growth for 4 of 5 TIF districts greatly outpaced EAV growth for their respective communities during comparable periods. Compound EAV growth in the Berwyn TIF district was greater than in the entire municipality, but occurred at a much slower rate than in the other communities.
<b>ECONOMIC DEVELOPMENT RESULTS</b>	Four of the five TIF districts experienced substantial development. No development has yet occurred in the 95th & Stony Island TIF District.	Each community experienced new investment within its TIF district. TIF proceeds were used to subsidize tax rates for developers and to "level the playing field" with the collar counties in three of the communities.
<b>DATA LIMITATIONS</b>	Data on broad public benefits of TIF, such as number of jobs created or private investment dollars generated, are not maintained or readily available.	Data on broad public benefits of TIF, such as number of jobs created or private investment dollars attracted, are not maintained or readily available.

## HOW TIF WORKS

Tax increment financing is a popular economic development program, authorized in 44 states. Begun in California in 1952, its use has increased dramatically over the past two decades with the decline of federal and state economic development funding. The states that most frequently employ TIF programs are California, Colorado, Florida, Wisconsin, Minnesota, Illinois and Indiana.

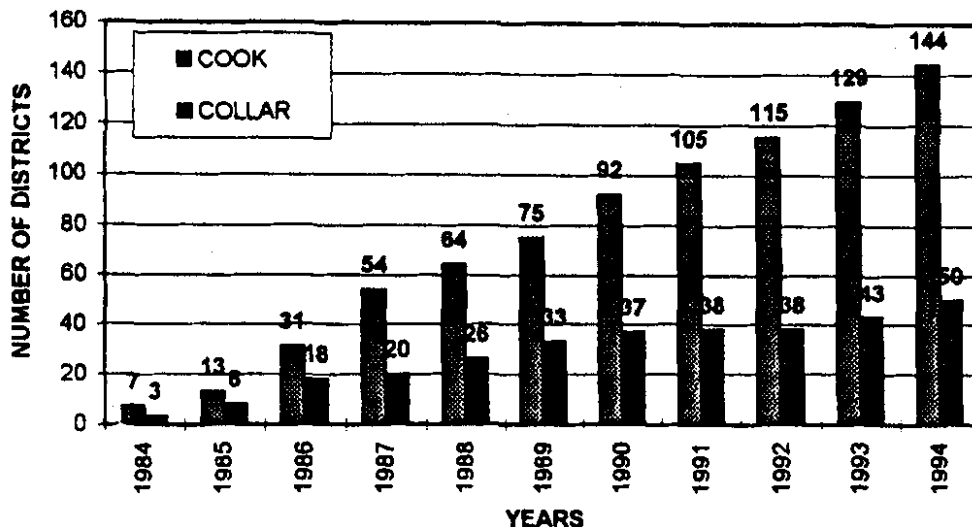
TIF in Illinois works by diverting property (and, in some cases, sales or utility) tax revenues from local taxing bodies to a municipality or its designated development authority. After a specifically defined district is created by a local municipality, the total equalized assessed valuation (EAV) at the time of creation is measured and frozen. Often, bonds are then floated to pay for land acquisition, site development, and public works improvements, such as streets and sewers. The incremental growth in tax revenues over the frozen baseline amount is directed to pay for the redevelopment costs, including debt service. Once a project is complete and has been paid for, the TIF district is dissolved, and the tax base is returned to full use by all taxing bodies.

## TAX INCREMENT FINANCE IN ILLINOIS

Property tax TIF districts were initially authorized in Illinois in 1977 by the Tax Increment Allocation Redevelopment Act.<sup>1</sup> In 1985, the program was expanded to capture sales and utility

Figure 1-2

GROWTH IN THE NUMBER OF TIF DISTRICTS  
IN NORTHEASTERN ILLINOIS: 1984-94



<sup>1</sup> 65 ILCS 5/11-74.4-1.

tax revenues as well. Participation in the state sales and utility tax program was subsequently limited to TIF districts established prior to 1987, and the amount of state sales tax TIF revenues has been limited by appropriation.

Tax increment financing is a popular economic development tool in Illinois, especially in the populous six-county region constituting the state's northeastern portion. The above figure shows the growth in the number of TIF districts in northeastern Illinois between 1984 and 1994. During this period, the total number of TIF districts has skyrocketed from ten to 194. The number of districts in Cook County rose from seven to 144. In the five collar counties of Du Page, Lake, Kane, Will, and McHenry, the number of TIF districts increased from just three in 1984 to 50 ten years later.

## **THE CONTROVERSY OVER TAX INCREMENT FINANCING**

Policymakers tend to view TIF as operating in one of two ways: "pure attribution" or "pure capture." Proponents of TIF tend to take the former view, fully attributing TIF revenues to a project and arguing that no increase in property values would have occurred "but for" the project. According to this view, requiring the overlying government to participate in financing is fair because development costs are shared in exact proportion to their participation in future revenues

TIF opponents tend to decry TIF as a device designed to "capture" funds from other governments' revenues resulting from increases in property value that would have occurred without the project. Thus, municipalities are encouraged to undertake projects that may be primarily beneficial to the municipality because of funding transfers from other areas in the government. The result is a net loss to other overlying governments such as school districts. Another concern is that TIF may merely move development from one city to the next, with no net gain for the larger region.

While popular with municipal officials looking for creative ways to lure private investment, tax increment financing has often been controversial in Illinois. The majority of TIF districts appear to be functioning as intended. However, because the state's TIF law is broad in scope and lacks effective reporting or enforcement mechanisms, TIF has the potential to be misused in some cases. In particular, a great deal of discussion has focused on what constitutes "blight" under the present statute. A few school districts, claiming a loss of tax revenues as a result of TIF, have threatened to file lawsuits against TIF district formation and funding agreements.

The major advantages and disadvantages of TIF are summarized in the following figure.

**Figure 1-3**

**ADVANTAGES AND DISADVANTAGES OF TIF IN ILLINOIS**

<b><i>THE ADVANTAGES OF TIF IN ILLINOIS</i></b>	<b><i>THE DISADVANTAGES OF TIF IN ILLINOIS</i></b>
The economic base of the municipality may be strengthened by private economic development that wouldn't have taken place without the TIF incentive.	Cities may stretch the definition of "blighted" or "conservation area" to create TIF districts that could be developed without public subsidies.
Tax increment financing promotes economic development without tapping into general funds or levying special assessments on property owners.	TIF can effectively freeze much of the tax base of a city for up to 23 years, while concurrently producing development that increases service demands (education, police and fire protection) without supplying revenues to finance them.
TIF makes it easier for cities to attract private development.	There is no guarantee that a renewal effort will generate the anticipated new private investment. If the tax increment does not materialize and the tax base fails to meet the expected level, bonds will have to be repaid from the city's general fund.
Once private development and the public financing within a TIF district are complete, the permanent increase in economic value becomes part of the tax base for all jurisdictions.	This system does not provide for full taxpayer accountability. Because the operations of redevelopment agencies are often obscure, taxpayers often have little knowledge of and limited control over decisions which significantly affect the amount of tax revenues available to the city, school districts, and other local governments.
The system does not lower tax revenues presently collected. The redevelopment costs are paid for by the increased taxes generated from new revenue sources, rather than being subsidized by taxes from other areas. It is a self-sufficient system.	Other taxing bodies are often forced to give up part of their tax revenues with little say about how the revenues are spent.
TIF will be advantageous to a city in the long run since it will attract new industry, create more jobs, and expand the city's tax base. Other taxing bodies ultimately benefit from these changes.	Taxpayers outside the project area implicitly subsidize any increased service needs of the area during its long-term redevelopment period.
TIF is locally controlled, allowing cities to be responsible for development and redevelopment.	Because TIF is locally-based, it is not coordinated with regional planning.
TIF can be used to lower taxes paid by a property owner/company, which could make the state or localities more competitive with surrounding states or other localities.	TIF can interact with other state programs, such as the school aid formula, in unanticipated ways.



## Chapter Two

**A COMPARATIVE ANALYSIS OF TAX INCREMENT  
FINANCING IN NORTHEASTERN ILLINOIS****Richard F. Dye**

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Tax increment financing (TIF) is a state policy that allows municipalities to pay for current economic development costs using future growth in property tax revenues. At the time a qualifying area is designated as a TIF district, its property tax base is frozen for purposes of regular tax collections by the municipality, the school districts, the county, and all the other overlying governments. Any future increment to assessed property values is multiplied by the combined tax rate for all of the local governments and is paid into a special fund reserved for allowable development expenditures in the district.<sup>1</sup>

If, as must be claimed to establish a TIF district, there are no prospects for growth in property values “but for” the use of TIF, then the policy seems fair and reasonable—revenues that would not have been generated otherwise are used to encourage development that would not have existed otherwise. If, however, the increase in the property tax base would have occurred independent of the TIF expenditures, then TIF becomes a device for “capturing” property tax revenues that otherwise would have gone to non-municipal governments, such as school districts.

There are a number of research questions about tax increment financing that can be addressed with comparative data. A key question flows from the “but for” versus “capture” debate: Does TIF adoption cause growth or does anticipated growth cause TIF adoption? A clean statistical test of this basic question is extremely difficult to construct and may not be possible even with the rich data set developed for this study. However, these other important research questions about the use and impact of tax increment financing can be addressed:

- 1) What are the characteristics of municipalities that adopt TIF?
- 2) How do growth rates in property values compare between municipalities that contain TIF districts and those that do not?
- 3) How do growth rates in property values compare between the years before municipalities adopt TIF and the years after?
- 4) How do growth rates in property values compare between the portion of a municipality containing a TIF district and the remainder of the same municipality?

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<sup>1</sup> See Richard F. Dye and Jeffrey O. Sundberg, “A Theoretical Assessment of Tax Increment Financing Choices.” Working Paper # 36, Institute of Government and Public Affairs, University of Illinois (January 1995, revised August 1996) for an overview of TIF and a review of the literature.

## THE DATABASE

To address questions such as these, researchers at the Institute of Government and Public Affairs have compiled a multi-year database for the northeastern Illinois region comprising Cook, Du Page, Kane, Lake, McHenry, and Will Counties. This region includes more than two-thirds of the state's population and one-half of the TIF districts in the state. The database links property tax, sales tax, population, and other information for each municipality, each TIF district, and all other local governments in the region.

Annual data on equalized assessed valuation (EAV) and other property tax information for each of over 1200 units of local government in the six-county area was obtained with the generous cooperation of the Illinois Department of Revenue (IDOR). Information from each of the six county clerks' offices supplemented TIF district property tax data from IDOR. Each TIF district and each municipality can be linked to all of the overlying governments that levy property taxes—this link is important because the TIF district collects revenues based on the combined tax rate of all overlying jurisdictions.

IDOR also supplied information on sales tax collections for each municipality. With the cooperation of the Northeastern Illinois Planning Commission, U.S. Bureau of the Census data was obtained on municipal population and per capita income for selected years. Additional data on TIF districts has been obtained from the Illinois Department of Commerce and Community Affairs (DCCA). Each TIF and municipality can be linked to data from the Illinois State Board of Education (ISBE) for the corresponding school districts. (See Appendix 2-1: Summary TIF Database Files).

Figure 2-1 presents the 247 municipalities in the sample<sup>2</sup> broken down by county<sup>3</sup> and by the TIF adoption rate during the years 1982-1993.<sup>4</sup> Note that a majority of the municipalities with TIF

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<sup>2</sup> The total number of municipalities in the six-county area is slightly larger. The sample excludes Chicago, which is not useful for comparative purposes due to its size and central-city status, and municipalities with particular data problems. The file descriptions in Appendix I include the reasons why municipalities are deleted from the sample.

<sup>3</sup> When a municipality straddles county borders, the IDOR assigns a home county based on the location of the largest fraction of assessed property value. For four of the cases in the sample (Buffalo Grove, Bartlett, Huntley, and Bolingbrook), the TIF district is located in that part of the municipality outside the assigned home county.

<sup>4</sup> When a year is referenced in this report, it is a tax year, the year in which property is assessed. Since taxes are actually collected in the calendar year following the tax year, non-property-tax data are for that corresponding later calendar year; for example, property tax data from tax year 1993 is matched with population and sales tax data from calendar year 1994.

districts are in Cook County, and that the majority of municipalities in Cook County each have at least one TIF district.

Figure 2-1

**NUMBER OF SAMPLE MUNICIPALITIES  
BY COUNTY AND BY TIF STATUS**

County	All	Non-TIF	TIF-Adopting
Cook	113	53	60
Du Page	29	16	13
Kane	18	14	4
Lake	41	33	8
McHenry	23	21	2
Will	23	17	6
<b>Total</b>	<b>247</b>	<b>154</b>	<b>93</b>

The breakdown of the sample's 93 TIF-adopting municipalities by the year in which they first adopted tax increment financing appears in Figure 2-2. Few of the municipalities in the sample had TIF districts in place at the beginning of the 1980s, and the largest number of adoptions took place in 1986 and 1990. The surge in adoptions in 1986 can be explained by the narrow time window during which municipalities had the opportunity to share in state sales tax revenues as an extra incentive to adopt TIF.<sup>5</sup>

Figure 2-2

**NUMBER OF SAMPLE MUNICIPALITIES  
BY YEAR OF FIRST TIF ADOPTION**

1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
1	0	3	8	21	9	12	5	20	4	1	9

This study has certain methodological and data limitations. Most of the analysis concentrates on annual growth rates of municipality-wide property values for each year and on whether or not there is a TIF district in the municipality in that particular year. Focusing on the municipal level, instead of on smaller areas such as individual districts or parcels, may not capture TIF-induced growth that is concentrated in relatively small districts. Moreover, the use of annual data may not capture TIF-induced growth that is concentrated in particular years but not present in every year. Specifying TIF status as a simple "no" or "yes" for each year does not account for the size of the TIF district relative to the municipality, nor does it account for the increased importance of TIF in the municipalities with multiple TIF districts (27 out of the 93). The designation of one particular year for switching the TIF-status variable from "no" to "yes" presents problems, since the establishment of a TIF district is a process, not a precise point in time.<sup>6</sup>

<sup>5</sup> For an explanation of the sales tax TIF policy, see Kent D. Redfield, Tax Increment Financing in Illinois: A Legislative Issue for the 89th General Assembly. Springfield, Illinois: Taxpayers' Federation of Illinois, 1995.

<sup>6</sup> The year of adoption used in this study is, in most cases, the tax year in which the Illinois Department of Revenue starts reporting information on the TIF. This does not always correspond to the "establishment year" in



## WHAT ARE THE CHARACTERISTICS OF MUNICIPALITIES THAT ADOPT TIF?

Figure 2-3 presents descriptive statistics on the sample communities, with separate columns for municipalities that never adopted tax increment financing and municipalities that did. The non-TIF-adopting municipalities have an average population of only 9,743, while the TIF-adopting municipalities average 22,473 persons. The TIF-adopting communities are poorer, with a per capita income of \$17,331 compared to \$22,277. Over time, the non-TIF municipalities have experienced faster growth in population (2.12 versus 1.00 percent per year) and faster growth in per capita income (7.10 versus 6.08 percent per year). The TIF-adopting and non-TIF-adopting municipalities have roughly the same property tax base per capita, but the TIF-adopting municipalities have substantially higher tax rates (\$1.53 compared to \$0.96 per \$100 of equalized assessed value).<sup>7</sup>

Figure 2-3

### MEAN VALUES OF SELECTED VARIABLES OVER 1982-1993 PERIOD BY TIF STATUS

Variable	Non-TIF	TIF-Adopting
Population	9,743	22,473
Income in 1989 (\$ per capita)	22,277	17,331
Growth in Population (% per year)	2.12	1.00
Growth in Income per capita 1979 to 1989 (% per year)	7.10	6.08
EAV Inclusive of TIF (\$ per capita)	15,177	15,862
Municipal Property Tax Rate (%)	0.96	1.53
Aggregate Property Tax Rate (%)	7.83	9.07
Non-Municipal/Aggregate Tax Rate (%)	88.40	83.83
Non-Residential/Total EAV (%)	30.10	43.68
Municipal 1% Share of Sales Tax Collections (\$ per capita)	93	112
Growth in Municipal Sales Tax Collections (% per year)	10.86	7.63
Home Rule Status (% of total)	18.02	40.41
Flat-Grant Range of School Aid Formula (% of total)	22.73	13.98

The aggregate tax rate on property within the municipality—the sum of the tax rates for the municipality, the school district(s), the county, the township, the park district, and any other overlying governments—is also substantially higher for the TIF-adopting communities.<sup>8</sup> Since

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Illinois Department of Commerce and Community Affairs files or in local documents, but it appears to be the most consistent measure of effective starting date. Cases with a zero increment in the initial year present a problem, since prior to 1990, the IDOR data has blanks, not zeros, for districts with a zero increment; where there is a discrepancy prior to 1990, the adoption year is assumed to be one year after the DCCA establishment year.

<sup>7</sup> All of the property tax rates in this study are effective tax rates, the ratio of current total tax extensions to total EAV.

<sup>8</sup> The IDOR data lists all of the governments that overlap any part of a TIF district or municipality, which often includes multiple governments of the same type—three elementary school districts and two library districts, for example. In order to get one representative aggregate tax rate, multiple overlapping governments of the same type have been eliminated. Also, data has been adjusted for school district consolidations within the sample period.

the aggregate tax rate is applied to any incremental tax base in a TIF district, the ratio of the non-municipal tax rate to the aggregate tax rate is a measure of the relative participation of the non-municipal governments in TIF funding or the share of revenues that is “captured” from these other governments. This ratio is larger for the non-TIF-adopting group than for the TIF-adopting group. The composition of the tax base also differs across the two groups. Thirty percent of the tax base in the non-TIF-adopting group represents non-residential property, while forty-four percent of the tax base in the TIF-adopting group is non-residential.

Property taxes are not the only revenue source of local government. The one percent municipal share of the sales tax yields \$93 per capita in non-TIF-adopting group compared to \$112 per capita in the TIF-adopting group. A successful commercial TIF project will result in increased sales tax collections for the municipality. The non-TIF-adopting municipalities have substantially higher annual growth rates in sales tax collections compared to the TIF-adopting municipalities. Home-rule municipalities, which have more access to local revenue sources, are much more prevalent in the TIF-adopting group than in the non-TIF group.

Even though the municipal government decides whether to adopt TIF, access of the affected school district to formula-based state aid can alter the burden on local taxpayers. Indeed, in the hypothetical case of a state aid formula that fully equalizes for differences in property value, any property tax revenue lost by the school district to the tax increment would be exactly offset by increased state aid. The Illinois state school aid formula is far from fully equalizing, but districts in the “special equalization” range of the formula can anticipate a partially offsetting increase in state aid, while districts in the “alternate method” range can anticipate a smaller increase. However, since districts in the “flat grant” range of the Illinois aid formula receive a fixed amount per pupil that does not depend on changes in property value, there is no offsetting increase in state aid—a strong incentive to resist municipal TIF-adoption decisions. The final row of Figure 2-3 shows that 23% of the non-TIF-adopting areas have schools in flat-grant range of the aid formula while only 14% of the TIF areas do: the TIF-adopting communities are more likely to receive some offset for TIF costs via the state aid formula.

## **HOW DO GROWTH RATES IN PROPERTY VALUES COMPARE BETWEEN MUNICIPALITIES THAT CONTAIN TIF DISTRICTS AND THOSE THAT DO NOT?**

One of the key variables of interest in this study is the growth rate in taxable property value (EAV) inclusive of TIF district property value. Figure 2-4 presents the year-to-year average and overall average growth rates in this measure for the sample municipalities. The last row of the table shows that EAV in the TIF-adopting municipalities grew at an average of 7.36% per year, compared to 8.90% per year in the non-TIF-adopting municipalities. Property values in the TIF-adopting municipalities also grew at a slower rate than in non-TIF-adopting municipalities for eight of the twelve time periods, possibly because municipalities with the highest growth rates are not attracted to TIF as an economic development incentive. Nor do these municipalities seem

attracted to TIF as a device to capture would-be revenues from other overlying governments. But care must be taken against reading too much into this simple comparison of the two groups.

Figure 2-4

**AVERAGE GROWTH RATES IN EAV INCLUSIVE OF TIF  
BY PERIOD AND BY TIF STATUS (PERCENT)**

Period	All	Non-TIF	TIF-Adopting
1981-82	6.68	5.89	8.00
1982-83	0.24	-0.04	0.71
1983-84	1.39	2.10	0.22
1984-85	4.55	4.68	4.32
1985-86	11.33	10.40	12.86
1986-87	9.46	10.15	8.31
1987-88	9.22	10.60	6.94
1988-89	13.13	15.87	8.59
1989-90	17.99	18.32	17.46
1990-91	7.72	9.40	4.94
1991-92	8.75	10.03	6.62
1992-93	9.37	9.37	9.38
All (1981-93)	8.32	8.90	7.36

Figure 2-4 also records the considerable year-to-year variation in the growth rates in property values for the entire sample of municipalities. Obviously, region-wide forces other than tax increment financing are acting on annual property value growth rates. Later analysis here will account for the variation.

## HOW DO GROWTH RATES IN PROPERTY VALUES COMPARE BETWEEN THE YEARS BEFORE MUNICIPALITIES ADOPT TIF AND THE YEARS AFTER?

Figure 2-5 describes the same property value growth rates as Figure 2-4, but with two refinements. To control for the year-to-year variation common to the entire region, the region-wide average—the “All” column in Figure 2-4—is subtracted from each individual municipality’s growth rate. Thus, a municipality with property values growing faster than the region-wide average will have a positive differential (slower than average, a negative differential). Instead of looking at all of the TIF-adopting communities together in each year, there is a year-by-year partitioning into a before-TIF-adoption group and an after-TIF-adoption group.<sup>9</sup>

<sup>9</sup> A district is included in the after-TIF-adoption group if TIF is in place in the first year of the growth period. Thus the 1982-83 after-TIF group includes only the one municipality in the sample that adopted TIF starting in tax year 1982, while the 1992-93 before-TIF group includes only the nine municipalities that adopted TIF starting in tax year 1993.

Figure 2-5

**DIFFERENCES FROM AVERAGE GROWTH RATES IN EAV  
INCLUSIVE OF TIF BY PERIOD AND BY TIF STATUS (PERCENT)**

<b>Period</b>	<b>Non-TIF</b>	<b>Before TIF Adoption</b>	<b>After TIF Adoption</b>
1981-82	-0.79	1.31	N/A
1982-83	-0.28	0.50	-2.71
1983-84	0.71	-1.20	1.50
1984-85	0.13	-0.19	-0.98
1985-86	-0.93	2.07	-2.07
1986-87	0.69	-3.85	3.76
1987-88	1.38	-2.43	-2.10
1988-89	2.74	-7.70	-2.25
1989-90	0.32	3.27	-2.73
1990-91	1.68	-4.47	-2.48
1991-92	1.28	-4.39	-1.85
1992-93	-0.00	-0.20	0.03
1981-93	0.58	-0.67	-1.38

The first column in Figure 2-5 shows again that, both overall and in most years, the non-TIF-adopting municipalities experience faster than average growth in property values, compared to the TIF-adopting municipalities.

The other columns of Figure 2-5 compare EAV growth differentials before and after adoption. In seven of the eleven growth periods being studied, the growth differential for the after-adoption group is larger in absolute value than for the before-adoption group, which at least suggests that TIF may have a positive impact on development. However, the overall average shows the opposite result—a larger negative differential (-1.38% per year) for the after-adoption group than for the before-adoption group (-0.67% per year). Consequently, this evidence on the “before and after” question must be characterized as mixed and inconclusive.

### **HOW DO GROWTH RATES IN PROPERTY VALUES COMPARE BETWEEN THE PORTION OF A MUNICIPALITY CONTAINING A TIF DISTRICT AND THE REMAINDER OF THE SAME MUNICIPALITY?**

The data set can be used to compare EAV growth rates for the TIF and non-TIF portions of the same municipality. Since data on initial or frozen TIF district EAV, incremental TIF district EAV, and municipal EAV (which includes only the frozen TIF district EAV) are reported separately, it is first necessary to calculate TIF district EAV non-TIF district EAV for each municipality in each year. Growth rates for the TIF and non-TIF portions of EAV for each municipality are then calculated over the period starting with the year prior to the first TIF

adoption and ending in 1993.<sup>10</sup> The growth rates are then annualized to adjust for differences in the number of years TIF has been in place in each municipality.

Figure 2-6 presents a summary comparison of these calculations, of whether TIF district EAV or non-TIF district EAV grows faster over the relevant period. This is a crude comparison for a number of reasons. Increases in non-TIF EAV can be due to expansion of the boundaries of the municipality and not just to increases in property values within the same borders. Or, if the typical TIF project involves putting new structures on vacant, sparsely-developed, or municipally-owned land, then we should expect a very high percentage increase in EAV within the TIF district.

Figure 2-6

**SUMMARY COMPARISON OF ANNUALIZED GROWTH IN EAV FROM YEAR PRIOR TO ADOPTION TO 1993 TIF DISTRICT VERSUS NON-TIF PORTION OF MUNICIPALITY**

Comparative Growth Rate	First TIF in Base Year EAV		Multiple TIFs in Base Year EAV	
	Number	% of Total	Number	% of Total
TIF Growth > Non-TIF Growth	53	67.1	49	62.0
and TIF Growth > 8.1 %	51	64.6	44	55.7
and TIF Growth > 10.4 %	40	50.6	36	45.6
TIF Growth < Non-TIF Growth	26	32.9	30	38.0
and TIF Growth < 8.1 %	18	22.7	20	25.3
and TIF Growth < 5.8 %	10	12.7	12	15.2
<b>Total</b>	<b>79</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>

The first row of Figure 2-6 shows that faster annual growth within the TIF district is indeed the case in two-thirds (53 out of 79) of the municipalities.<sup>11</sup> The fourth row shows the other one-third of municipalities where EAV within the TIF district grows at a slower rate than property outside the TIF district. The median annualized growth rate of non-TIF EAV for all of the sample municipalities is 8.1%; the top quarter grew faster than 10.4% per year; and the bottom quarter grew less than 5.8% per year. The remaining rows of Figure 2-6 introduce these relative comparisons.

Row three shows that in one-half of all municipalities with TIF districts, the relative growth rate of property values within the TIF district was quite high—both greater than the non-TIF portion of the same municipality and greater than the fastest growing one-quarter of all municipalities. Row six shows that in one-eighth of all municipalities with TIF districts, the relative growth rate of property values within the TIF was extremely low—both less than the non-TIF portion of the

<sup>10</sup> For municipalities with multiple TIF districts, two different assumptions are used to calculate the base year TIF district EAV. The first, using the initial EAV of just the first-adopted TIF district, tends to overstate combined TIF district growth. The alternative, using the sum of the initial EAV of all TIF districts, tends to understate combined TIF district growth. The results in Figure 2-5 include both, but the discussion in the text will focus on just the first assumption—the first columns in the table.

<sup>11</sup> The sample of 79 TIF-adopting municipalities here excludes those adopting TIF starting in 1993 and several with missing data on initial EAV.

same municipality and less than the slowest growing one-quarter of all municipalities. This last finding suggests that in many cases TIF does not lead to a relative increase in property values, but, of course, it says nothing about the success of TIF in arresting a decline in property values in certain areas.

## **REVISITING THE COMPARATIVE QUESTIONS WITH MULTIPLE REGRESSION ANALYSIS**

Since Figure 2-1 shows that TIF-adopting municipalities are most likely to be in Cook County, it is not surprising to find in Figure 2-3 that TIF-adopting municipalities are relatively larger, have lower per capita incomes, are slower-growing, and have more non-residential EAV. Since multiple, often correlated, determinants of both TIF adoption and EAV growth rates exist, it is necessary to move beyond the simple statistical technique of comparing the mean values of different variables for TIF-status groupings and to revisit the basic research questions.

Multiple regression analysis and related statistical techniques can be used to control simultaneously for TIF status and other determinants of property growth. In a 1990 study using Michigan data, John Anderson found a positive association between property value growth and TIF adoption, but was unable to conclude whether the direction of causation was from anticipated growth to TIF adoption or from TIF adoption to subsequent growth.<sup>12</sup> One of the intended uses of the Illinois database was to replicate the Anderson study to see whether the more detailed data would be able to reconcile the difficult question of causation.

For each of the municipalities in the Illinois sample, annual data is available for TIF status, EAV, population, income, tax rates, residential share of EAV, sales tax collections, home-rule status, and school-aid status. Additional variables can control for any year-specific or county-specific effects. Since these data are not available at the TIF district level, multiple regression analysis cannot be used to compare EAV growth in the TIF portion of a municipality with the EAV growth of the non-TIF portion. Whether TIF is adopted and whether TIF is related to EAV growth are examined separately.

## **PREDICTING TIF ADOPTION: REVISITING THE "CHARACTERISTICS" QUESTION**

The observations of each municipality in each year period can be pooled into what is referred to as a "panel" data set.<sup>13</sup> One way of addressing the characteristics question is to try to use the available variables to predict whether TIF is present in a given municipality in a given year (i.e. to

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<sup>12</sup> John E. Anderson, "Tax Increment Financing: Municipal Adoption and Growth." *National Tax Journal* 43, June 1990, pp. 155-63. Another study concluded that the creation of TIF districts in Indiana was positively associated with increases in median home values: Joyce Y. Man and Mark S. Rosentraub, "Tax Increment Financing and Its Effects on Property Values," Center for Urban Policy and the Environment, Indiana University, June 1994.

<sup>13</sup> With 247 municipalities multiplied by 12 periods, the maximum number of observations is 2,964.

predict the value of a variable that equals one if TIF is present and zero otherwise).<sup>14</sup> Models using the full panel have very little success in correctly predicting the presence of a TIF district. A model with the even more ambitious goal of predicting the first year of TIF adoption has absolutely no success. But again, there are problems with specifying a unique starting year.

A more modest objective is to attempt to predict whether a municipality ever adopts TIF by combining the data for the entire period. If the one municipality that first adopted TIF in 1982 is removed from the sample, there are several years of pre-adoption data on growth in population, income, sales tax collections, and property value. Figure 2-7 shows the estimation results of a model that includes these and other variables.<sup>15</sup> The model is able correctly to predict adoption of TIF for 79% (186/236) of all municipalities and for 65% (53/82) of the TIF-adopting municipalities. Note that none of the four measures of pre-adoption growth has a significant impact. This result is not consistent with Anderson's finding in the Michigan study, nor with some observers' assertion that TIF is adopted by fast-growing municipalities to capture would-be revenues from other governments. The population variable has a significant and positive impact on adoption—larger municipalities are much more likely to adopt TIF.<sup>16</sup>

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<sup>14</sup> The mathematical properties of 1:0 dependent variables call for using an estimating technique called "Probit" instead of the standard multiple regression model.

<sup>15</sup> The sample of 236 municipalities excludes the one that first adopted TIF in 1982, the nine that first adopted TIF in 1993, and the one that dissolved its TIF in 1993.

<sup>16</sup> The population-squared variable is included to capture any non-linear size effects, any curvature to the size-adoption relationship. The negative sign on the population-squared variable says that the positive relationship between size and adoption flattens out as municipal size gets larger and larger.

Figure 2-7

## PROBIT ESTIMATION OF TIF ADOPTION DECISION

Variable	Coefficient	Std. Error
Constant	0.5948	3.3207
Growth in Population 1980-1984 (% per year)	-0.0028	0.0256
Growth in EAV 1981-1983 (% per tax year)	0.294	0.0240
Growth in Income per capita 1979-1983 (% per year)	-0.1311	0.0931
Growth in Sales Tax Collections 1981-1984 (% per year)	-0.0056	0.0073
Population in 1982	$7.52(10^{-5})^{**}$	$2.15(10^{-5})$
Population-squared	$-7.09(10^{-10})^{**}$	$3.05(10^{-10})$
Income in 1982 (\$ per capita)	$-6.02(10^{-6})$	$3.54(10^{-5})$
Municipal Property Tax Rate (%)	0.0773	0.4874
Municipal / Combined Property Tax Rate (%)	0.0396	0.0445
Non-Residential / Total EAV (%)	0.0149 <sup>**</sup>	0.0062
Home-Rule Status (1:0)	-0.3521	0.2886
Special-Equalization Range of School Aid Formula (1:0)	0.2031	0.3669
Alternate-Method Range of School Aid Formula (1:0)	0.0411	0.3152
Du Page County (1:0)	0.1671	0.3387
Kane County (1:0)	-0.4231	0.5711
Lake County (1:0)	0.1220	0.3806
McHenry County (1:0)	-0.9345	0.6329
Will County (1:0)	-0.2712	0.4728
Total Observations	236	
Cases Correct	186	
Log Likelihood	-110.16	

<sup>\*\*</sup>Significantly different from zero at the 0.05 confidence level.

The only other significant variable is the non-residential share of EAV—municipalities with a greater commercial and industrial share of EAV are more likely to have adopted TIF. None of the other variables that might be expected to explain TIF adoption—income, tax rates, home-rule status, the partial equalizing ranges of the school aid formula, nor county of residence—has a significant impact on the adoption decision. Many of the factors that explain TIF adoption may be site- and community-specific, thus not captured in the municipal-level data used in this study.



## THE RELATIONSHIP BETWEEN TIF AND GROWTH IN MUNICIPAL EAV: REVISITING THE "WITH AND WITHOUT TIF" AND "BEFORE AND AFTER TIF ADOPTION" QUESTIONS

The regression model presented in Figure 2-8 attempts to explain the variation across municipalities in the annual growth in EAV (inclusive of the TIF district EAV).

Figure 2-8

### REGRESSION ESTIMATION OF ANNUAL GROWTH IN EAV INCLUSIVE OF TIF TAX YEARS 1981 TO 1993

Variable	Coefficient	Std. Error
Constant	13.1927**	1.6075
Population	5.28(10 <sup>-5</sup> )*	3.11(10 <sup>-5</sup> )
Population-squared	-4.06(10 <sup>-10</sup> )	3.94(10 <sup>-10</sup> )
Population Growth (%. lagged one year)	.3394**	0.0308
Growth in Sales Tax Collections (%. lagged one year)	0.0182**	0.0049
Income in 1979 (\$ per capita)	9.26(10 <sup>-5</sup> )*	5.41(10 <sup>-5</sup> )
Combined Property Tax Rate (%)	-0.9007**	0.1189
Non-Residential / Total EAV (%)	-0.0344**	0.0094
Home-Rule Status (1:0)	-0.6230	0.4894
Du Page County (1:0)	-1.0857*	0.6332
Kane County (1:0)	-1.3117*	0.7753
Lake County (1:0)	-0.1717	0.5825
McHenry County (1:0)	-0.7918	0.7328
Will County (1:0)	-2.2417**	0.7017
Tax Years 1982-1983 (1:0)	-6.2063**	0.7973
Tax Years 1983-1984 (1:0)	-5.1409**	0.8089
Tax Years 1984-1985 (1:0)	-1.5510*	0.8013
Tax Years 1985-1986 (1:0)	5.4009**	0.8027
Tax Years 1986-1987 (1:0)	3.6160**	0.8082
Tax Years 1987-1988 (1:0)	3.6878**	0.8187
Tax Years 1988-1989 (1:0)	7.5698**	0.8165
Tax Years 1989-1990 (1:0)	12.4869**	0.8161
Tax Years 1990-1991 (1:0)	2.1417**	0.8230
Tax Years 1991-1992 (1:0)	2.9661**	0.8218
Tax Years 1992-1993 (1:0)	3.3975**	0.8201
TIF Status (1:0. 1=TIF present. 0=otherwise)	-0.5698	0.5188
Total Observations	2964	
R <sup>2</sup>	0.2838	

\*Significantly different from zero at the 0.10 confidence level.

\*\*Significantly different from zero at the 0.05 confidence level.

The significantly positive coefficients indicate that, after controlling for the impact of other variables, municipalities with larger populations and higher per capita incomes have faster EAV growth rates. Not surprisingly, the variables for recent population growth and recent sales tax growth also have a positive association with EAV. The negative coefficient on the combined property tax rate for the municipality, the school districts, and all other overlying governments

indicates that communities with higher taxes experience lower rates of growth in EAV.<sup>17</sup> The significant coefficients on the year-effects variables again indicate the strong region-wide forces acting on property values. Together, these variables explain 28% of the variation in EAV growth rates (which is what the  $R^2$  statistic at the bottom of the table indicates).

Pooling observations from all municipalities in all years effectively combines the “with and without TIF” and “before and after TIF” questions. The coefficient on the TIF-status variable in Figure 2-8 is not significantly different from zero; that is, adding a TIF-status variable to the other measures does not help explain any of the remaining variation in EAV growth.

A more direct test of the “before and after” question is obtained from a regression identical to that of Figure 2-8 with a sample restricted to municipalities that adopt TIF sometime during the period. The regression is not shown here because the results are the same: TIF adoption has no significant impact on EAV growth rates.

To restate this important result: Based on the data examined, *There is no apparent relationship between the presence of a TIF district and annual growth in municipality-wide EAV.* This is not to say that TIF does not increase EAV within some specific districts or overall for some specific municipalities. However, either because TIF districts are too small to have a measurable impact on the EAV of the entire municipality or because successful TIF districts in some municipalities are offset by unsuccessful TIF districts in other municipalities, there is no statistically discernible overall effect on the EAV of municipalities in the Northeastern Illinois sample.

## THE QUESTION OF CAUSATION: DOES TIF CAUSE GROWTH OR DOES ANTICIPATED GROWTH CAUSE TIF ADOPTION?

Using data from Michigan, Anderson<sup>18</sup> found that there was a significant difference in property value growth between TIF-adopting municipalities and non-TIF-adopting municipalities. Given that result, he was able to apply statistical techniques attempting to determine whether the causation went from anticipated growth to TIF adoption (the “capture” hypothesis) or from TIF adoption to property value growth (the “but for” hypothesis). The Michigan study “strongly”—but not definitively—suggested “that prior growth is responsible for TIF adoption<sup>19</sup>” and concluded that, “While this analysis finds an association between property value growth and TIF adoption we have not answered the question of causality.”<sup>20</sup>

Using data from Indiana, Man and Rosentraub (1994) found that TIF adoption was not associated with prior growth rates and determined that “Property values in communities which created TIF

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<sup>17</sup> As with all the other coefficients, an observed correlation does not tell us the direction of causation. On the one hand, higher tax rates could discourage growth; on the other, slow-growing communities might feel compelled to raise tax rates to maintain service levels.

<sup>18</sup> John E. Anderson, “Tax Increment Financing: Municipal Adoption and Growth,” *National Tax Journal* 43, June 1990.

<sup>19</sup> Anderson, p. 160.

<sup>20</sup> Anderson, p. 161.

districts grew more than cities which did not" (p.15). They infer from these two results that TIF causes growth, but they do not appear to have used statistical techniques that appropriately test for the direction of causation.

Using data from Illinois, the current study finds neither an association of TIF adoption with prior growth rates nor an association of TIF adoption with subsequent growth rates. With no apparent association, the question of causation is not relevant.

## **CONCLUSION**

Analysis of the Northeastern Illinois TIF database indicates that the municipalities that adopt TIF are different by a number of measures from the communities that never adopt TIF. When these variables are correlated, however, and only two—population and the share of non-residential property in the tax base—are statistically significant determinants of TIF adoption in a multi-variable model.

If the typical TIF project involves substantial improvements to property that initially has a low value, we would expect TIF to result in relatively large percentage increases in property value. But in one-quarter of all TIF districts, the growth rate in property values is both less than for the non-TIF portion of the host municipality and less than the non-TIF portion of all municipalities.

In the multi-variable model of TIF adoption, none of the measures of prior growth has a significant impact—not population, EAV, per capita income, nor sales tax collections. This result is inconsistent with the hypothesis that TIF is adopted to "capture" anticipated growth.

Another finding is that the presence of a TIF district in a municipality in a given year appears to have no statistically significant impact on the growth rate of assessed property value for the entire municipality. This result offers little comfort to those who might look to TIF as a way to turn around the development trend of an entire town.

The data set constructed for this project contains a great deal of information that has not been fully exploited in the analysis conducted to date: the type of TIF district, the relative size of the TIF district, the existence of multiple TIF districts in some municipalities, whether the property tax TIF district is also a sale tax TIF district, alternative ways of specifying the starting year, the EAV reassessment cycle in Cook County, and county tax multipliers (EAV versus AV). The sensitivity of models like those in Tables 7 and 8 to different sets of variables or different transformations of the variables could be explored further. Hence, this data set offers a number of opportunities for both refining and extending the existing research.

If a positive association between TIF and EAV growth emerges from such future research, it may then be possible to take the next step and apply statistical techniques that attempt to sort out the direction of causation: Does anticipated growth cause TIF adoption, or does TIF adoption cause growth? For now, that important question remains unanswered.

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### Appendix 2-1

#### Summary TIF Database Files

<u>Filename</u>	<u># Cases</u>	<u>Contents</u>
tif8093a.db	153	Contains CTE (current total extensions), EAV, and tax RATE data for each TIF for each tax year from 1980 to 1993, with missing data for most 1993 start-ups or discontinuous cases.
tifmuni.db	174	Matches each individual TIF with information from the parent municipality. Includes BASEEAV (frozen value) data. (The additional observations compared to the prior file are for TIF districts that started in 1993, but there is still some missing data for 1993 starts and, in Cook, for 1994 dissolutions).  Includes a variable for the year in which IDOR reporting starts, which is used as the first year of the TIF. This does not always correspond the "establishment year" in DCCA files or in local documents, but it appears to be the most consistent measure of the effective starting date (see text, footnote 4).  Has "TIF type" from DCCA coded as: 1=CBD 2=CBD/Additional Area 3=Shop Mall/Commercial Strip 4=Shop Mall/Commercial Strip/Additional Area 5=Mixed Development/Non-CBD 6=Industrial 7=Housing 8=Multiple Codes 9=Not Coded, N/A
tifparts.db	143	List of all participating governments for each TIF from 1993. Revised to eliminate multiple governments of a given type. Sorted with all counties=1, municipalities=2, townships=3. Chicago, Deerfield, and Cicero have been deleted. Additional revisions have been made, such as to add obviously missing participating governments for Schaumburg.

munipopy.db	266	Municipalities: home-rule status, per capita income for odd years 1979-89, population for even years 1980-94. Missing data has been interpolated. Also has 1950, 1960, and 1970 population for most municipalities.
muna8193.db	259	IDOR property tax data for all municipalities. EAV by type, CTE, etc. Data for name changes (Westhaven to Orland Hills, East Chicago Heights to Ford Heights) has been consolidated. Municipalities with missing or discontinuous data have been eliminated: Cicero, Lily Lake, Virgil, Beach Park, Volo, McHenry Shores, and Johnsburg.
munidum.db	251	<p>Dummy variables for sample municipalities. Problematic cases have been deleted: Chicago (not useful for comparative purposes due to its size and central-city status); Deerfield (particular data problems from a TIF that straddles Lake and Cook Counties); Hoffman Estates (required a special legislative exception to the Illinois TIF law); Rosemont, (first TIF adopted prior to 1981 availability of other TIF data); Valley View (missing population data); Maple Park, Montgomery, and Godley (municipality crosses outside six county area, overlying governments not in data base).</p> <p>Home-rule status by year.                  Number of TIF districts by year.                  Number of sales tax TIF districts by year. All of the variation in this is in STT85 (equals one if pre-existing TIF qualified for sales tax revenue in first year) or STT86 (equals one if sales tax TIF). Multiple TIF districts coded 2 or 3. Note that the STT start year does not always correspond to the property-tax TIF start year.</p>
munisamp.db	251	<p>List of sample municipalities with names, identification numbers and the IDOR starting year of the first TIF.</p> <p>There is a code for the portion of sample, since different sources were used to obtain the participating government or "parts":</p> <ul style="list-style-type: none"> <li>1=small (&lt;10000 in 1993), parts data from county reports (n=107, 104 with no TIF, three discontinued TIFs)</li> <li>2=small, with TIF, parts data from IDOR TIF files (n=17)</li> <li>3=large, no TIF, parts data from IDOR aggregate rate report file (n=50)</li> <li>4=large, with TIF, parts data from IDOR TIF files (n=77)</li> </ul>
mvi9193b.db	251	Municipal EAV inclusive of TIF district EAV.
part1234.db	251	<p>This has the participating governments identified for each sample municipality. Multiple participating governments of the same type have been eliminated. The location of the identifiers for the parts are sorted with all counties=1, municipalities=2, townships=3, and now with all elementary or unit schools districts =14. This sorting permits links to other data sources.</p>
schform.db	251	<p>ISBE data for the school district identified in column 14 of the above data file. Identifies the range of the state aid formula: special equalizing, alternate method, or flat grant.</p>

msamp247.db	247	Sample revised to delete four additional problem cases: Highland Park and Homewood (first adoption in 1981 which means no prior property tax data for benchmark); Oak Lawn and Mundelein (sole TIF dissolved before 1993 which means no endpoint data for some of the calculations).
rate8193.db	1260	This has effective tax rate variables (CTE/EAV) for all local governments in the six county area for each year from 1981 to 1993. This has been checked for data continuity, and adjusted to reflect name changes and school district consolidations.
cooktwp.db	30	<p>This is a list of all Cook townships, coded with the years in which property in that township was reassessed:</p> <p style="margin-left: 40px;">62=76,80,84,89,92  72=77,81,85,89,92  73=77,81,85,90,93  83=78,82,86,90,93  93=79,83,86,90,93</p> <p>This information can be used either to create a "years since reassessment" variable or to interpolate the growth in property values between assessment years in Cook County.</p>
mst8195.db	263	This contains the municipal portion of sales tax collections for collar county municipalities for 1985-1995 and the state portion of sales tax collections for 1981-1985 (growth rates can still be calculated because both measures are available for 1985). There are a number of discontinuities in the raw data, especially for smaller and newer communities; adjustments have been made.
Not in database format:		<p>County multipliers by year;  state distributions to sales tax TIF districts by year;  school district data from ISBE for selected years  (but not before school year 1986-87).</p>





## Chapter Three

## CHICAGO TAX INCREMENT FINANCING CASE STUDIES

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This chapter presents a summary and key findings of five case studies of Chicago tax increment financing districts evaluated by the Metropolitan Planning Council for the Northeastern Illinois Tax Increment Finance Project. The case studies selected were chosen to provide a degree of geographic and TIF-type diversity. As Figure 3-1 below shows, the five districts analyzed were: West Ridge-Peterson, Division & North Branch, 95th and Stony Island, North Loop and Near South.

Figure 3-1

### CHICAGO CASE STUDY SAMPLE

TIF DISTRICT	YEAR CREATED	TIF TYPE	INITIAL OBLIGATION	SIZE OF TIF DISTRICT	BASE EAV
West Ridge-Peterson	1986	Shopping Mall/ Commercial Strip	\$3,000,000 in limited obligation bonds	6.4 acres	\$1,617,926
Division-North Branch	1991	Industrial	\$2,865,000	3.3 acres	\$482,150
95th & Stony Island	1990	Mixed Development	\$5,000,000 authorized	75.9 acres	\$1,964,709
North Loop	1984	Central Business District	\$55,000,000 in anticipation notes; \$65 million in GO bonds	25 acres	\$53,158,199
Near South	1990 (Amended 1994)	Mixed Development/ Industrial	\$4,400,000 in TIF bonds	127 acres	1990 base: \$3,223,423 Amended base: \$128,812,758

The objectives of the Chicago case studies were to document:

1. What factors prompted the City of Chicago to adopt TIF?;
2. What types of planning processes were undertaken prior to the TIF district's implementation?;
3. What kinds of financing were used to develop the TIF district?;
4. What was the scope of public comment and/or concerns and intergovernmental review by overlying taxing jurisdictions?;
5. Whether amendments were made to the original TIF district and to what extent did these amendments expand or contract TIF activity and obligations?; and
6. What was the performance of the TIF based on trends in Equalized Assessed Value (EAV) since its inception and evidence of physical development within the district?

Consideration of these questions is succeeded by a discussion of TIF data limitations. The case study profiles are followed by a comparative analysis of trends common to all five districts.

## METHODOLOGY

To conduct the Chicago case studies, City of Chicago and community officials were interviewed and relevant documents were reviewed, including Redevelopment Plans and Agreements, City Council proceedings, and municipal financial reports. The opinions expressed by interviewees are theirs alone. In no case do those views represent the official positions of the author or the Project sponsors. Every effort was made to ensure the accuracy of the opinions reported in this section.

Project researchers made every effort to interview individuals who were directly involved in the initial adoption of the TIF in order to get an accurate picture of the practices used by the City's Department of Planning and Development (DPD), or its predecessor, the Department of Economic Development (DED, which merged in 1992 with the Department of Planning to form DPD). In addition, researchers interviewed representatives of the communities—either residents or an active economic development neighborhood organization—to gain additional insights on the establishment and administration of the TIF districts. *Several individuals interviewed requested anonymity; therefore, the sources of these first-hand accounts are not attributed in the text.*

Five Chicago TIF districts were surveyed for this study. The districts were selected by representatives from The Civic Federation, the Institute of Government and Public Affairs at the University of Illinois at Chicago, and the Metropolitan Planning Council. Among the factors used to select the five communities were:

- Geographic diversity
- Diversity of TIF types (i.e., Industrial, Mixed-Development, and Central Business District)
- Years TIF has been in place

The age of each TIF district was an important consideration in the selection process. To effectively analyze the impact of TIF, each TIF district had to have been in place at least four years, a period long enough to have produced identifiable results—negative or positive.

Illinois Department of Revenue property tax valuation and collection data were obtained through Professor Richard F. Dye of the Institute of Government and Public Affairs at the University of Illinois at Chicago. Additional data were collected from the Offices of the Cook County Clerk and Collector.

It is important to note that the conclusions presented in this report pertain only to the five cases studied. However, we did attempt to determine from our interviews with current DPD staff whether or not particular practices had wider applicability.

## **WEST RIDGE-PETERSON**

This sales tax TIF district is located on 6.4 acres of land in the southeast portion of the West Ridge neighborhood adjacent to Rose Hill Cemetery. The boundaries include Peterson Avenue on the south, approximately 50 feet west of Hamilton Avenue on the west, Norwood Street to the north, and approximately 175 feet west of Damen on the east.

The West Ridge-Peterson Avenue Redevelopment Project Area is the only case study that is located in a predominantly residential area. The TIF district is located on the northwest side of Chicago in the West Ridge neighborhood, which is also known as North Town or West Rogers Park. According to the 1990 Census, the population of the neighborhood is 65,374, which represents a 7% increase over the 1980 Census. Of the residents, the majority (72%) is non-Latino white; 16% are Asian, 8% are Latino, and 3% are non-Latino African-American. Both the 1989 median household income (\$31,408) and the median family income (\$36,791) for the community were well above the citywide figures (\$26,301 and \$30,707, respectively).

### *Why Was TIF Selected?*

This TIF appears to be developer-driven. For example, in compliance with a requirement of the state enabling legislation, the City advertised for alternate redevelopment proposals. However, a reading of the Request For Proposal (RFP) clearly indicates that the criteria were tailor-made to virtually eliminate any chance that another developer would qualify or have interest in submitting a proposal. For example, the square footage of the shopping center and the anchor tenant were specified in the City's solicitation.

### *Planning Context*

DED staff who worked directly on the establishment of the West Ridge-Peterson TIF district could not be located. Information on this TIF district was gleaned from an active community resident who was identified as a knowledgeable source by a local neighborhood organization, and from the DED staff person who was assigned to administer the TIF district soon after it was created. The TIF district was established by the City Council on October 27, 1986. Its creation was immediately followed by the adoption of the sole Redevelopment Agreement for this district.

One of the statutory requirements of a TIF Redevelopment Plan is a list of the project goals. As with so many other sections required by law, the goals are often stated generally, in language that

mimics the statutory language, and they often have no specific significance for the area or project at hand. The West Ridge-Peterson Plan includes such objectives as "Provide sound economic development," "Reduce or eliminate those conditions which qualify the Redevelopment Project Area," and "Enhance the tax base of the City of Chicago." While such statements are legitimate reasons for creating a TIF district, they are not helpful for analyzing outcomes because they are generic and/or have a very broad scope. Rather than reiterate such sweeping goals in the Plan, this report will summarize the more project-specific goals for the West Ridge-Peterson and other TIF districts.

The West Ridge-Peterson Plan did include one specific objective: "to encourage the redevelopment and replacement of an aging, obsolete and soon to be vacated auto sales and service center located within the West Ridge-Peterson Avenue Redevelopment Project Area with a commercial shopping center containing approximately 110,000 square feet of floor space."

Prior to TIF adoption, the property was occupied by an auto sales, repair, and body shop that, according to the Redevelopment Plan, would soon be vacated when the owners consolidated operations elsewhere. We were unable to determine whether or not the impetus for relocating the existing business was stimulated by the purchase offer for the property, which, according to city staff we interviewed, may have been above its market value.

"Frozen," "initial," or "base" equalized assessed valuation (EAV) is the valuation for property tax purposes of the land and improvements within the TIF at the time of adoption. In subsequent years, taxes levied against the frozen EAV continue to flow to the relevant taxing districts. Any taxes levied against newly created EAV (over and above the base amount) go into a special tax reallocation fund that the municipality may use for redevelopment purposes. The base EAV for West Ridge-Peterson was \$1,617,926.

The developer for the project was May Department Stores Company and an unnamed co-developer, which those interviewed believed was The Taxman Corporation. The development proposal was a \$12 million, 110,000 square foot shopping center, anchored by a Venture store. The proposal also included three other retail spaces and two outlots—freestanding buildings located at the periphery of the property.

As the figure below indicates, 65% of the TIF revenues designated for public improvements were spent on property acquisition.

Figure 3-2

**WEST RIDGE-PETERSON TIF DISTRICT BUDGET**

<b>ITEM</b>	<b>BUDGETED EXPENDITURE</b>	<b>% OF TOTAL</b>
Property Acquisition & Assembly	\$ 1,958,000	65%
Common Area Facilities including paving, curbs, lighting	\$ 335,000	11%
Demolition & related costs	\$ 240,000	8%
Soils improvement, utility relocation, earth work, fill & grading	\$ 216,000	7%
Permits & Professional services	\$ 136,000	5%
Traffic signals, accessways, & lanes	\$ 80,000	3%
Improvements, including fencing and landscaping	\$ 35,000	1%
<b>TOTAL</b>	<b>\$ 3,000,000</b>	<b>100%</b>

*TIF District Funding and Revenues*

Public involvement in the project took the form of a \$3 million limited obligation TIF note which was purchased by the developer. This arrangement has been popular with some municipalities because the developer then assumes the financial risk if the tax projections for the project fall short. The interest rate on the note was 8%, and it was scheduled to mature not later than September 1, 2009.

*Public Comment*

According to the neighborhood resident interviewed, a community meeting was held at a local church by the City and 50th Ward Alderman Bernard Stone to inform residents about the project. Residents expressed anger at the meeting because they felt that the development project was a "done deal" and that the community was not allowed input. They expressed worries about traffic, litter, crime, and the fence at the rear of the property, which abuts houses. No changes were made to the plans to address the concerns, but the developer promised to keep the property well-maintained.

The project proceeded, and those interviewed felt it was successful. The resident reported that, until the shopping center was sold, neighbors had been fairly satisfied with the property maintenance, but now residents have concerns about the upkeep of the property and its environs.

Several pieces of evidence support the residents' claim that the project was a "done deal." For example, the Redevelopment Plan contained a specific dollar amount for property acquisition, which indicates that the developer had already negotiated for the purchase of the property prior to the creation of the TIF district. In addition, the qualification study and redevelopment plan

documents for this TIF district came directly out of the Commissioner's Office of DED. Typically, the project would have been assigned to a staff division within the department. Finally, the redevelopment agreement was approved immediately after the adoption of the TIF district.

The speed at which this project was approved suggests that less than due diligence was undertaken in determining the amount of public assistance necessary. Furthermore, according to current City staff, the internal file on this project has minimal information and it contains no financial analysis.

### *Intergovernmental Review*

This TIF district was adopted prior to the amendment to the TIF Statute creating the Joint Review Board. There is no record of any taxing districts providing input into the TIF creation or implementation processes.

### *EAV Trends*

Real EAV in the West Ridge-Peterson TIF District declined by nearly 50% between 1987 and 1995, from \$8.4 million to \$4.2 million. Much of the decline came in the first years of the district and is largely attributable to demolition activity.

FIGURE 3-3

### EAV TRENDS FOR THE WEST RIDGE-PETERSON TIF DISTRICT: 1988-1995

YEAR	Real EAV Year to Year	\$ Change EAV Year to Year	% Change EAV Year to Year
1987	\$ 8,486,906		
1988	\$ 3,415,817	\$ (5,071,089)	-59.8%
1989	\$ 3,344,788	\$ (71,031)	-2.1%
1990	\$ 3,486,911	\$ 142,125	4.3%
1991	\$ 3,818,210	\$ 331,299	9.5%
1992	\$ 3,887,791	\$ 69,581	1.8%
1993	\$ 3,982,674	\$ 94,883	2.4%
1994	\$ 4,237,361	\$ 254,687	6.4%
1995	\$ 4,259,013	\$ 21,652	0.5%

More informative composite EAV trends can be seen in Figure 3-4 below. As the figure shows, the average annual EAV growth rate within the TIF district was 18.4%. EAV increased by over 163% from the base year (1987) to 1995, greatly outpacing All-Chicago EAV growth. Finally, compound annual EAV growth rates for the TIF district and the entire City of Chicago are presented. Compound rates are more precise measures than annual growth rates as they take into account the different number of years the TIF district was in place. Once again, compound EAV growth rates outpaced Chicago-wide growth rates, 11% versus 5.4%.

FIGURE 3-4

**COMPOSITE EAV TRENDS:  
1988-1995**

<b>Composite Trends And TIF District vs. City-Wide Comparisons</b>	
Initial Base EAV	\$ 1,617,926
1995 Base EAV	\$ 1,617,926
Average Annual Growth Rate	18.14%
TIF % Change: 1995 Over Base	163%
% Increase in All Chicago EAV from Base Year to 1995	60%
Compound Annual Growth Rate in TIF District EAV	11%
Compound Annual Growth Rate in Chicago EAV	5.4%

### *Economic Development Results*

A shopping center was constructed in the West Ridge-Peterson TIF District, anchored by a Venture store, three other retail spaces and two outlet stores. No additional activity has taken place since the shopping center project was completed.

## **DIVISION-NORTH BRANCH**

### *Why Was TIF Selected?*

The neighborhoods east of Goose Island were undergoing a transformation in the 1980s, shifting from primarily industrial to increasingly residential and commercial, especially retail. Industrial interests fought for creation of a Planned Manufacturing District (PMD), which was adopted in 1988. Simply stated, a PMD designation means that the manufacturing or industrial zoning classifications assigned to an area are unchangeable; rezoning or zoning variations would not be considered. Goose Island was among the first PMDs in the City.

City planners were considering a larger scale TIF district on Goose Island before scaling back the boundaries to the user-specific site. A developer had proposed an industrial park, but City staff did not agree with the requested subsidy, and that project was rejected. Mayor Richard M. Daley had just been elected, and the new administration had not made its opinion known regarding the PMD policy. DED staff decided to move ahead with the smaller scale project initially, although two other TIF districts have since been created on Goose Island.



According to interviews, the Division-North Branch TIF district was, in part, a vehicle to meet the public relations needs of the PMD supporters, for it had to demonstrate that industrial development could be attracted to the area. Even after the PMD was adopted, there were a number of developers and land owners who maintained that market forces should be allowed to prevail in determining land use.

River North Distributing was a start-up wholesaler of alcoholic beverages and snack foods. River North's management considered numerous sites throughout the Chicago metropolitan area as potential locations for the business. Apparently, several suburban sites offered less expensive land. The Division-North Branch site had several specific and costly problems, such as the presence of asbestos and an underground storage tank requiring removal, as well as a seawall on the Chicago River that required nearly \$1 million in repairs. The TIF district was necessary to make the cost of the site competitive with suburban alternatives.

*Planning Context*

This district was adopted by the City Council on March 15, 1991. It is located on the Near North Side's Goose Island, an industrial enclave that had been the subject of land use controversy during the real estate boom of the 1980s.

At the time of adoption, the TIF district included one vacant industrial building located on a 3.3 acre site. The TIF district is generally bounded by the north branch of the Chicago River to the west, a line approximately 878.9 feet north of and parallel to West Division Street on the north, North Branch Street on the east, and the northern edge of the right-of-way of West Eastman Street on the south. The base EAV for the TIF district is \$482,150.

Generally, the goals stated in the Redevelopment Plan were to foster and strengthen the City's industrial and manufacturing base and to encourage investment, modernization, and expansion by providing for a stable and predictable industrial environment.

The Redevelopment Plan includes a \$6,577,000 budget, as detailed here:

**Figure 3-5**

**DIVISION-NORTH BRANCH TIF DISTRICT BUDGET**

<b>ITEM</b>	<b>BUDGETED EXPENDITURES</b>	<b>% OF TOTAL</b>
Property Acquisition, Site Preparation, Demolition & Environmental Clean Up	\$ 4,567,000	69%
Seawall and Open Space	\$ 1,511,000	23%
Utility Improvements	\$ 324,000	5%
Job Training & Related Educational Programs	\$ 100,000	2%
Analysis, Studies, Surveys, Legal, et. al.	\$ 75,000	1%
<b>TOTAL</b>	<b>\$ 6,577,000</b>	<b>100%</b>

However, the Redevelopment Agreement only called for \$2.4 million in project costs to be paid out in TIF assistance.

*TIF District Funding and Revenues*

The City Council authorized up to \$3 million in bonds on April 12, 1991 to fund the public improvements approved in the Redevelopment Agreement. Bonds in the amount of \$2,865,000 were offered through a private placement with a final maturity date of January 1, 2014.

This financing is particularly noteworthy, since the projected incremental property taxes from the redevelopment were insufficient to amortize the bonds, according to the bond feasibility report. Expected property taxes, when stabilized, were \$60,000 annually. Thus, the TIF revenue would fall far short of the annual debt service of approximately \$320,000. To enable the project to proceed, the City also pledged its city-wide liquor taxes (up to the amount of the debt service on an annual basis).

*Public Comment and Intergovernmental Review*

The overlapping taxing districts for the Division-North Branch TIF district have never met in a Joint Review Board.

*EAV Trends*

Real EAV in the Division-North Branch TIF District declined by nearly 50% between 1987 and 1995, from \$8.4 million to \$4.2 million. Much of the decline came in the first years of the district and is largely attributable to demolition activity.

**FIGURE 3-6**

**EAV TRENDS FOR THE DIVISION-NORTH BRANCH TIF DISTRICT: 1992-1995**

<b>YEAR</b>	<b>Real EAV Year to Year</b>	<b>\$ Change EAV Year to Year</b>	<b>% Change EAV Year to Year</b>
1992	\$ 2,256,063		
1993	\$ 2,851,271	\$ 595,208	26.4%
1994	\$ 2,815,043	\$ (36,228)	-1.3%
1995	\$ 2,829,427	\$ 14,384	0.5%

More informative composite EAV trends can be seen in Figure 3-7 below. As the figure shows, the average annual EAV growth rate within the TIF district was 81.14%. EAV increased by nearly 487% from the base year (1987) to 1995, greatly outpacing All-Chicago EAV growth. Finally, compound annual EAV growth rates for the TIF district and the entire City of Chicago are presented. Compound rates are more precise measures than annual growth rates as they take

into account the different number of years the TIF district was in place. Once again, compound EAV growth rates outpaced Chicago-wide growth rates, 34% versus 4.7%.

Figure 3-7

**COMPOSITE EAV TRENDS:  
1992-1995**

<b>Composite Trends And TIF District vs. City-Wide Comparisons</b>	
Initial Base EAV	\$ 482,150
1995 Base EAV	\$ 482,150
Average Annual Growth Rate	81.1%
TIF % Change: 1995 Over Base	486.8%
% Increase in All Chicago EAV from Base Year to 1995	8.7%
Compound Annual Growth Rate in TIF District EAV	34.0%
Compound Annual Growth Rate in Chicago EAV	4.7%

*Economic Development Results*

Ultimately, facilities for the River North Distributing Cor. any were constructed in the Division and North Branch TIF District.

As noted earlier, this TIF district was controversial because of the context of the PMD. It did receive the backing of PMD supporters. Some landowners were disappointed, because they, too, wanted to participate in the TIF district benefits on an individual or area-wide basis. However, the site itself required so much public investment—more than the TIF alone was expected to produce—that TIF dollars were not available for additional public improvements.

DED staff interviewed were positive regarding the benefits of the Division-North Branch TIF district. The TIF district assisted the City in securing an industrial site user that might otherwise have been lost to the suburbs. The location of River North Distributing was an example of the City's positive disposition toward industrial land use, and it quelled the PMD controversy. In the years since this TIF district was adopted, several other industrial companies have invested on Goose Island by either expanding their existing facilities or constructing new facilities.

**95TH AND STONY ISLAND***Why Was TIF Selected?*

The TIF district at 95th and Stony Island was categorized by the Illinois Department of Revenue as a Mixed Use development TIF, and the Redevelopment Plan provides for business-planned development, commercial, industrial, and open space. Yet, the force driving the creation of this TIF district was a development proposal from First National Realty & Development Company, Inc. for a \$30 million, 310,000 square foot shopping center. The anchor for the new center was the Courtesy Home Center store, which was to be relocated on the site.

*Planning Context*

The 95th and Stony Island TIF district was adopted on May 16, 1990. A Redevelopment Agreement was adopted by the City Council on July 31, 1990, but it was never executed.

The TIF district's boundaries encompass approximately 75.9 acres, 72 percent of which were vacant, unused railroad rights-of-way. The existing land uses in the district included a Courtesy Home Center, the Clearview Plastics Company, a restaurant, and two small strip shopping centers. The boundaries of the TIF district are irregular, with a long east-west axis along 95th Street from west of Stony Island to Paxton Street on the east. There is also a large vacant tract jutting off to the southeast, extending from the north end of the northwest corner of 95th and Stony Island to approximately 99th Street. The western boundary is the Chicago and Western Indiana Railroad right-of-way. The buildings on the north side of 95th Street make up the mixed use portion of the TIF district.

The area qualified for TIF as blighted vacant and blighted improved land parcels. The base EAV was \$1,964,709.

The goals of the TIF Redevelopment Plan were to assemble land for new development and to create a major shopping center for the southeastern region within the City. Also, safe vehicular and pedestrian circulation were a priority. The Redevelopment Plan included design objectives that also emphasized parking, circulation and pedestrian movement.

DED held the request for public assistance for approximately two years while City staff worked out several problems. One concern was reports of financial difficulties and delayed property tax payments for TIF projects in which the developer was involved in other municipalities. Another was that the City would be over-subsidizing the purchase price of the property; many staffers felt it was set far higher than market value. Perhaps most seriously, the developer had already purchased some of the property through a trust in which he had partial interest, prior to making the proposal to the City. This compromised the argument that public involvement was needed, because the developer had demonstrated the financial ability to move forward without a City commitment.

The TIF district budget allocated \$15,204,500 to various public improvements:

Figure 3-8

**95TH AND STONY ISLAND TIF DISTRICT BUDGET**

ITEM	BUDGETED EXPENDITURE	% OF TOTAL
Acquisition, Relocation, and Demolition	\$ 5,845,000	38%
Site Work, including soil removal	\$ 4,325,000	28%
Streets, sidewalks, utility adjustments, wetland relocation	\$ 2,462,500	16%
Architect & Engineer Fees	\$ 72,000	0%
Bond Issuance Costs	\$ 2,500,000	16%
<b>TOTAL</b>	<b>\$ 15,204,500</b>	<b>100%</b>

*TIF District Funding and Revenues*

Up to \$5 million in bonds was authorized on July 31, 1990, but the bonds were never issued.

*Public Comment*

According to former DED staff, a number of community meetings were held for the local residents in the area. Neighbors expressed concerns about existing and post-development traffic conditions and flooding problems experienced in the vicinity. Local storm sewer improvements were intended to be paid for out with TIF funds.

*Intergovernmental Review*

The overlapping tax districts did not comment on the creation of this TIF district and the Joint Review Board has not been active.

*EAV Trends*

EAV growth was impressive in the 95th and Stony Island. This came despite the lack of development activity. As Figure 3-9 shows, real EAV in the 95th-Stony Island TIF District

increased by nearly 19% between 1991 and 1995, from \$3.8 million to \$4.5 million.

**FIGURE 3-9**

**EAV TRENDS FOR 95TH-STONY ISLAND TIF DISTRICT: 1991-1995**

<b>YEAR</b>	<b>Real EAV Year to Year</b>	<b>\$ Change EAV Year to Year</b>	<b>% Change EAV Year to Year</b>
1991	\$ 3,796,420		
1992	\$ 3,865,595	\$ 69,175	1.8%
1993	\$ 3,959,940	\$ 94,345	2.4%
1994	\$ 4,167,156	\$ 207,216	5.2%
1995	\$ 4,509,928	\$ 342,772	8.2%

Figure 3-10 below shows composite EAV trends for the district. The average annual EAV growth rate within the TIF district was 18.9%. EAV increased by over 94% from the base year (1991) to 1995, vastly outpacing All-Chicago EAV growth at a rate of about nine to one. Similar results emerge when compound EAV growth rates are considered. The compound EAV growth for the 95th and Stony Island TIF district was 14.0% between 1991 and 1995, versus only 2.1% for all Chicago.

**FIGURE 3-10**

**COMPOSITE EAV TRENDS: 1991-1995**

<b>Composite Trends And TIF District vs. City-Wide Comparisons</b>	
Initial Base EAV	\$ 2,321,632
1995 Base EAV	\$ 2,321,632
Average Annual Growth Rate	18.9%
TIF % Change: 1995 Over Base	94.3%
% Increase in All Chicago EAV from Base Year to 1995	10.9%
Compound Annual Growth Rate in TIF District EAV	14.0%
Compound Annual Growth Rate in Chicago EAV	2.1%

*Economic Development Results*

This TIF district has not yet experienced any significant redevelopment activity. The site remains undeveloped for several reasons. According to a former DED staff person, the developer ran into

financial difficulties prior to initiating implementation and was unable to construct the project. In addition, the wetlands on the south end of the district limit the developable square footage on the site, preventing economically feasible redevelopment (without significant public subsidy). Despite annual TIF collections that go unspent, the sewer improvements included in the 95th and Stony Island Redevelopment Plan have not been made. The City reports that it has been working with a developer for months on a new project for this location, although no new projects have yet been announced.

In sum, the City has taken a reactive stance toward TIF district management at 95th and Stony Island. Even though the developer was unable to complete the project, the City did not take definitive action either to abolish the district or to market the property actively for redevelopment. Though the City did not own the property, it could have spurred redevelopment by issuing a Request For Proposals for alternative redevelopment projects.

## **NORTH LOOP**

The City of Chicago first used Tax Increment Financing when it adopted the North Loop TIF district on June 20, 1984. This district was amended on September 23, 1987, to allow for the demolition of the McCarthy Building, which had previously been protected as an historic landmark. A second amendment that will greatly expand both the district's boundaries and its budget was approved in 1997.

### *Why Was TIF Selected?*

The driving force behind the development of this district has been the City's Department of Planning and Development. Planning for North Loop redevelopment dates back to the major civic planning effort that culminated in the Chicago 21 Plan of 1973. Additional planning steps were taken throughout the 1970s and 1980s, including the adoption of the North Loop Guidelines for Conservation and Redevelopment initially published in March 1981 and subsequently updated and amended twice.

### *Planning Context*

The North Loop TIF district currently includes five whole blocks and four partial blocks in the Central Business District (CBD). It qualified for TIF as a blighted improved area under the State enabling legislation. The initial EAV was \$53,158,199. The irregularly shaped area is generally bounded by the Chicago River on the north, State Street and Wabash Avenues on the east, Washington and Randolph on the south, and Clark Street, except for a small extension to LaSalle Street to the west.

The objectives stated in the Redevelopment Plan include stimulating mixed-use development; maintaining, upgrading and reinforcing the retail character of the State Street Mall, "emphasizing quality over quantity in all retail development," and revitalizing the area to contribute to the regional focus of the CBD.

The original Plan is relatively detailed compared to several of the plans for other TIF districts selected for study. First, the budget makes clear that redevelopment of the Theater District was a primary consideration of the Plan. Second, eight buildings were identified for conservation, suggesting that they would not be demolished for redevelopment. Third, detailed design recommendations from the North Loop Guidelines were also included.

The original budget was \$283 million. A footnote allowed that additional, unspecified costs of bond issuance would also be included.

### *TIF District Funding and Revenues*

The City initially issued \$65 million general obligation bonds and \$55 million in anticipation notes to finance the North Loop TIF district. However, more recently, the City has moved to provide assistance on a "pay-as-you-go" basis, in which the developer receives assistance on annual basis, up to the amount of incremental taxes in the TIF district, up to a period of several years. This method shifts risk onto the developer.

### *Public Comment*

Based on minutes from a March 20, 1984, public hearing on the TIF district, some opposition to the TIF district was voiced, declaring that the area would develop without the added incentive. However, those testifying overwhelmingly supported the TIF district, saying that it was the logical next step in the City's efforts to revitalize the area.

Some opposition to the North Loop TIF district expansion should be noted. The Neighborhood Capital Budget Group (NCBG) and others opposed it at a meeting of the Community Development Commission. Critics argue that the City already has a significant proportion of its tax base frozen in TIF districts, that TIF should be reserved for neighborhood projects, and that redevelopment would occur in the Central Loop without a TIF district.

### *Intergovernmental Review*

The North Loop TIF district Joint Review Board has not been active.

### *TIF Amendments*

An extensive expansion of the TIF district was adopted in 1997, and the district has been renamed the Central Loop TIF district. According to DPD staff, one of the major reasons for the expansion is that the funds expended for North Loop improvements are nearing the initial total budget in the original plan. Another reason is that many of the Class "C" buildings in the expansion area are obsolete, but costs of redevelopment are too high to attract private redevelopment without public assistance.

The new boundaries of the expanded TIF district include two new areas: one to the west, and one to the east and south of the original area. The western addition consists of one full block and



five partial blocks. The eastern addition consists of twenty-three full and eight partial blocks. In total, the added area comprises approximately 138.9 acres.

The added area qualifies for TIF districting as a conservation area. The frozen EAV for the area is estimated at \$903,827,523. The year of the TIF district's expiration, 2007, remains unchanged.

The amended Redevelopment Plan proposes an additional \$300 million in expenditures, \$17 million more than the original budget, bringing the total to \$583 million. The amended budget also includes a footnote stating that the costs of financing are additions to the budget. The total budget was determined by the expectation that \$30 million annually would be collected in incremental property taxes for the remaining 10 years of the TIF district.

**Figure 3-11**

**AMENDED NORTH LOOP TIF DISTRICT BUDGET**

<b>ADDITIONAL COSTS</b>	<b>BUDGETED EXPENDITURE</b>	<b>% OF TOTAL</b>
Rehabilitation of theaters	\$ 60,000,000	20%
Public improvements/public works/capital costs	\$ 52,000,000	17%
Transit improvements	\$ 49,000,000	16%
Acquisition, demolition, site preparation & relocation	\$ 30,000,000	10%
Interest subsidies	\$ 20,000,000	7%
Rehabilitation of landmarks	\$ 20,000,000	7%
Administrative & professional services	\$ 6,000,000	2%
Job training	\$ 3,000,000	1%
<b>TOTAL</b>	<b>\$ 300,000,000</b>	<b>100%</b>

The goals in the amended Plan are essentially the same as in the original Plan. The budget clearly indicates that the Theater District will remain a priority project and that rehabilitation and reuse of existing buildings will be emphasized over demolition and new construction. As for specific projects, including capital improvements, the Plan is general in nature.

*EAV Trends*

EAV growth in the North Loop TIF district skyrocketed by 511.8% between 1985 and 1995, from \$63 million to \$387 million.

FIGURE 3-12

**EAV TRENDS FOR NORTH LOOP TIF DISTRICT: 1985-1995**

YEAR	Real EAV Year to Year	\$ Change EAV Year to Year	% Change EAV Year to Year
1985	\$ 63,378,378		
1986	\$ 73,711,919	\$ 10,333,541	16.3%
1987	\$ 99,892,271	\$ 26,180,352	35.5%
1988	\$ 120,151,786	\$ 20,259,515	20.3%
1989	\$ 150,337,089	\$ 30,185,303	25.1%
1990	\$ 240,813,566	\$ 90,476,477	60.2%
1991	\$ 262,494,860	\$ 21,681,294	9.0%
1992	\$ 301,988,343	\$ 39,493,483	15.1%
1993	\$ 365,633,767	\$ 63,645,424	21.1%
1994	\$ 375,631,085	\$ 9,997,318	2.7%
1995	\$ 387,725,248	\$ 12,094,163	3.2%

An examination of composite EAV trends reveals an average annual EAV growth rate of 47.0%, a strong performance by any standard. EAV increased by nearly 611% from the base year (1985) to 1995, greatly outpacing All-Chicago EAV growth, which was only 94.7%. The compound EAV growth for the North Loop TIF district was 16.0% between 1985 and 1995, versus only 5.8% for all Chicago.

FIGURE 3-13

**COMPOSITE EAV TRENDS: 1985-1995**

Composite Trends And TIF District vs. City-Wide Comparisons	
Initial Base EAV	\$ 54,536,919
1995 Base EAV	\$ 54,536,919
Average Annual Growth Rate	47.0%
TIF % Change: 1995 Over Base	610.9%
% Increase in All Chicago EAV from Base Year to 1995	94.7%
Compound Annual Growth Rate in TIF District EAV	16.0%
Compound Annual Growth Rate in Chicago EAV	5.8%

*Economic Development Results*

The City has entered into 15 redevelopment agreements over the life of the North Loop TIF. Figure 3-14 on the following two pages briefly summarizes each project.

Figure 3-14

**NORTH LOOP TIF DISTRICT: PRIVATE PROJECTS TO DATE (June 1997)**

DEVELOPER	DATE OF REDEVELOP. AGREEMENT	DESCRIPTION	STATUS
Libra Partners	3/8/84	Hotel/retail & office development at State & Wacker. Response to 1983 RFP Developer to purchase property for \$11 million from City.	Not Constructed.
Chicago Theater Restoration Ass'n.	6/20/84	Acquisition & rehabilitation of Chicago Theater & Page Bros. Building (175-177 N. State). City provided \$12.5 million sale-leaseback financing, \$13.5 million loan and \$2.5 million Urban Development Action Grant (UDAG) loan.	Completed.
Baird & Warner/ Higginbottom/ Stein & Co.	9/11/85	Apartment/retail and office tower development at Clark & Lake. Response to 1985 RFP. Developer purchased property for \$13 million from City.	Apartment development constructed: 200 N. Dearborn.
Tremont Theater Rows Partnership	12/23/85	Parking deck with 12,000 s.f. retail space at Dearborn & Lake. No public assistance. Zoning change needed..	Completed.
Buck & Wexler Ass'n.	3/25/86	Hotel/retail & office tower development at Wacker & Dearborn. Response to 1985 RFP. Developer purchased property for \$12 million from City.	Both hotel & office tower completed.
FJV Venture	9/23/87	Three-phased project; two office towers and 300,000 s.f. retail. Response to 1983 RFP. Developer purchased property for \$12.6 million from City.	Property sale closed but no construction to date.
Baird & Warner/ Higginbottom/ Stein & Co.	10/15/87	Restatement of 12/23/85 agreement, delaying closing on office tower parcel to no later than 10/89	Completed.
Linpro	9/14/88	Office towers at 161 and 181 N. Clark. Required zoning change to Planned Development. Developer-owned Harris-Selwyn Theater conveyed to City, then to Goodman Theater for restoration	Phase I (161 N. Clark) only completed.

**NORTH LOOP TIF DISTRICT: PRIVATE PROJECTS TO DATE (Continued)**

<b>DEVELOPER</b>	<b>DATE OF REDEVELOP. AGREEMENT</b>	<b>DESCRIPTION</b>	<b>STATUS</b>
Miller-Klutznick-Davis-Gray	4/10/89	Office tower with retail at corner of Clark & Lake. No public assistance. Required zoning changes to Planned Development.	City purchased property for Goodman Theater
Wabash-Randolph Partnership	6/28/89	Parking deck with 18,000 s.f. retail space at Wabash & Randolph. No public assistance.	Completed.
Chicago Theater Group d/b/a Goodman Theater	5/16/90	Renovation of Harris-Selwyn Theaters. City contributes up to \$8 million toward rehab. Conveyance of property for \$10.	Fundraising underway.
Baldwin Development Co.	12/15/93	Phase I study of restoration of the Reliance Building. City authorized to use quick take powers to acquire the property.	Completed.
Commonwealth Edison Co.	3/2/94	Construction of new electrical substation at 6-10 E. Lake. No public assistance.	Not yet commenced.
Baldwin Development Co.	11/23/94	Project Manager agreement for renovation of the Reliance Building at 32-36 N. State.	Work completed.; City issued RFP for sale 12/96.
Livent Realty (Chicago) Inc.	4/29/96	\$28.5 million renovation of the Oriental Theater on Randolph St.	Delayed due to litigation.

Figure 3-14 shows that most activity occurred relatively quickly in the years following the creation of the TIF district. Prior to the TIF, the City had issued \$55 million in general obligation anticipation notes in 1981, and \$65 million in general obligation bonds in 1982. Some of the proceeds from these obligations were used to pay for land acquisition in the North Loop area. The City subsequently issued Requests for Proposals (RFPs) for private redevelopment efforts. The responses generated led to a flurry of activity in the early 1980s.

Redevelopment continued throughout the robust real estate market of the late 1980s. As the real estate market weakened in the early 1990s, activity in the North Loop TIF slowed considerably.

The City's economic development efforts in the North Loop have produced tangible results, despite the vacant block resulting from the failure of the FJV Venture project, as the list shows.

Several of the projects for which redevelopment agreements are listed did not actually require public financial assistance. It is the City's policy, however, to use a redevelopment agreement in TIF districts when any public action is involved, such as a zoning change or relocation of City-owned infrastructure. City staff takes advantage of these instances to prohibit a developer from seeking any reduction in or exemption from property taxes in acknowledgment that the redevelopment site is located in a TIF.

## **NEAR SOUTH**

The Near South TIF district is similar to the North Loop TIF district in that it, too, was greatly expanded by amendment. It is also proximate to, although not within, the CBD. In fact, when the North Loop TIF expansion is completed, these two districts will abut, permitting the use of North Loop TIF funds in the Near South TIF district.

### *Why Was TIF Selected?*

The Chicago Department of Planning and Development has been the catalyst behind development of the Near South Tax Increment Financing District.

The genesis of the Near South TIF district dates back several years to the convening of the Burnham Park Task Force by the Chicago Plan Commission. The Task Force was made up of many interests in the neighborhood and discussed issues relating to the area's future. In 1986, the Department of Planning published the Near South Development Plan.

At about the same time, a developer assembled 36 acres of abandoned railroad yards, gained 34 acres of air rights, and designated the land for the multi-phased, Central Station mixed-use development proposal. While the City considered the project, which required a zoning change to Planned Development (PD), active community representatives voiced their opinions about the plan, calling for better integration of the development into the neighborhood and better access within the development. Some of these community desires were codified in the Central Station Development Guidelines adopted by the Plan Commission on March 1, 1990.

According to interviews with former DPD staff and community groups, the Near South TIF was amended specifically to fund two additional development proposals located at 1318-52 S. Wabash and 1400-12 S. Indiana. The City Council adopted the amendment on August 3, 1994.

### *Planning Context*

The Near South TIF was originally adopted as the Central Station Area TIF district on November 28, 1990. The initial area qualified under the TIF law as blighted improved and vacant lands, and covered approximately 127 acres. The predominant land use in the area was abandoned railroad yards. The initial EAV was \$3,223,423.

The total base EAV for the Near South TIF district is \$128,812,758. The boundaries may be generally described as Congress Parkway on the north; Michigan Avenue, Lake Shore Drive, and Calumet on the east; various lot lines between 21st Street and Cermak Road on the south, and State Street on the west.

The Redevelopment Plans (both original and amended) are the most detailed of all the Plans examined. The goals from the original document include completing the southern edge of Grant Park; connecting the museums and McCormick Place and the CBD; specific roadway improvements including the relocation of Lake Shore Drive; and expanding the residential population. Additional goals added at the time of the amendment were maintaining the Michigan Avenue street wall and encouraging an Arts District through loft rehabilitation and conversion developments.

The total budget of \$105.65 million is itemized as follows:

Figure 3-15

### NEAR SOUTH TIF DISTRICT BUDGET

ACTIVITY	COST	% OF TOTAL
Rehabilitation/Existing Buildings	\$ 21,000,000	20%
Roadways	\$ 34,600,000	33%
Acquisition, site preparation, demolition & clearance	\$ 9,300,000	9%
Transit Improvements	\$ 9,500,000	9%
Interest Cost/Redeveloper	\$ 10,000,000	9%
Utilities	\$ 9,500,000	9%
Contingency	\$ 6,000,000	6%
Parks/Open Space	\$ 3,800,000	4%
Job Training and related administrative costs	\$ 1,250,000	1%
Administrative Costs	\$ 700,000	1%
<b>TOTAL</b>	<b>\$ 105,650,000</b>	<b>100%</b>

The original TIF district budget was \$40 million; after the amendment, the budget more than doubled, commensurate with the increase in physical area.

The Phase I improvements included reconstructing Roosevelt Road and Indiana Avenue, stone wall demolition, fiber optics relocation, improvements to Prairie Avenue, 14th and 15th Streets, and landscaping. These items cost \$8,508,108. The professional services costs related to the creation of the TIF district, infrastructure improvements, and pre-development costs were an additional \$4,706,471. Some of the shortfall was paid by the developer, and some was reimbursed by a subsequent TIF bond issue in 1994.

#### *TIF District Funding and Revenues*

In 1991, the City issued \$4.4 million in TIF bonds to pay for the first phase of the public improvements.

In 1994, the City approved a second TIF bond sale not to exceed \$40 million. It issued \$23 million in bonds, which were used to reimburse the Central Station public improvements, to undertake additional improvements in the vicinity, and to offer an incentive for two additional projects.

#### *Public Comment*

As noted above, community residents have been extensively involved in the planning process for the Near South TIF district. In fact, in order to bring community access goals to fruition, more public improvements were required than the developer had originally anticipated. The TIF district was viewed as an opportunity to use excess tax dollars generated by the private development as a way to pay for the public improvements that were not directly related to the Central Station development.

Amending the Near South TIF district was not without controversy. Representatives from single room occupancy hotels decried the expansion of the TIF district, seeing it as the final step toward total gentrification of the neighborhood. Affordable housing provisions were included in the Central Station Redevelopment Agreement and in the agreement with Senior Suites Chicago. The language in the Central Station agreement, however, requires that a limited number of apartments be made available to elderly individuals only, effectively prohibiting many of the lower-income residents from relocating to the new developments. The Senior Suites development agreement does not contain such language, but it is clear that the development would be marketed only to seniors.

#### *Intergovernmental Review*

There has been no appreciable intergovernmental review by overlying taxing bodies.

*TIF Amendments*

The expanded area, nearly twice the size of the initial area, covers approximately 248.4 acres and also qualified as blighted. The expanded area is an improved (i.e., built-up) area that has a base EAV of \$124,791,988.

Wabash Limited Partnership was the developer for one of the two subsequent development proposals. This project involved the rehabilitation of two structures located at 1318-52 S. Wabash. The \$12.5 million project created 87 one- and two-bedroom condominium units and ancillary parking. The City provided \$2.06 million in TIF assistance. Rehabilitation construction costs are allowed under the TIF Statute, and it appears that construction costs (rather than related public improvements) were paid for with TIF assistance.

The second development to take place after the TIF district amendment was the redevelopment of 1400-12 South Indiana Avenue by Senior Suites Chicago Central Station Limited Partnership. This \$9.5 million project was new construction of a 71,586 square foot multifamily housing development. The 96 units comprised studio and one-bedroom units. The Senior Suites project received two forms of public assistance. First, the developers received a \$5,148,097 loan through the City's Department of Housing. TIF funds in the amount of \$960,000 later reimbursed the entire cost of acquiring the property.

The City recently entered into a fourth Redevelopment Agreement for this TIF district. The Vietnam Veterans Arts Group purchased 1801 S. Indiana Avenue from the City for \$1 to develop a museum/art gallery.

*EAV Trends*

EAV growth in the Near South TIF district declined from 1991 to 1992, and then grew modestly between 1992 and 1993, by approximately 4%. The huge increase in EAV between 1993 and 1994 is due to expansion of the TIF district boundaries through amendment and establishment of a new frozen EAV base.

FIGURE 3-16

**EAV TRENDS FOR NEAR  
SOUTH TIF DISTRICT: 1985-1995**

<b>YEAR</b>	<b>Real EAV Year to Year</b>	<b>\$ Change EAV Year to Year</b>	<b>% Change EAV Year to Year</b>
1991	\$ 19,800,734		
1992	\$ 12,589,761	\$ (7,210,973)	-36.40%
1993	\$ 13,085,026	\$ 495,265	3.90%
1994	\$ 153,641,133	\$ 140,556,107	1074.20%
1995	\$ 159,716,593	\$ 6,075,460	4.00%



Figure 3-17 shows EAV composite EAV growth trends for 1994 and 1995, after the TIF district was amended. Both the aggregate and compound EAV growth for this district were the lowest of all the districts surveyed. However, this result is due largely to the fact that only two years of data were available for analysis.

FIGURE 3-17

## COMPOSITE EAV TRENDS

Composite Trends And TIF District vs. City-Wide Comparisons	
Initial Base EAV	\$ 3,223,423
1995 Base EAV	\$ 128,812,758
Average Annual Growth Rate*	4.8%
TIF % Change: 1995 Over Base*	24.0%
% Increase in All Chicago EAV from Base Year to 1995*	10.9%
Compound Annual Growth Rate in TIF District EAV*	11.0%
Compound Annual Growth Rate in Chicago EAV*	0.5%

\* EAV growth calculated for only the two year period after the TIF district amendment established a new frozen EAV base.

*Economic Development Results*

The Near South TIF district has experienced a great deal of activity. Completed projects include: the reconstruction of Roosevelt and Indiana Avenues; improvements to Prairie Avenue, 14th and 15th Streets; and landscaping. The District's 1994 amendment provided funds for structure rehabilitation and the construction of senior housing.

## **COMPARATIVE ANALYSIS**

The following section presents a comparative analysis of the findings of the Chicago case studies. Specifically, it looks at the following:

- **Why Was TIF Selected?**
- **Planning Context;**
- **TIF District Funding and Revenues;**
- **Public Comment;**
- **Intergovernmental Review;**
- **TIF Amendments;**
- **Financial data trends for the five TIF districts studied and the City of Chicago, including EAV Trends, EAV Projections, and TIF District Budget Data;**
- **Surplus Distribution;**
- **Economic Development Results; and**
- **Limits of Data for Evaluation**

### **Why Was TIF Selected?**

In three of the cases studied - West Ridge-Peterson, Division and North Branch and 95th & Stony Island - TIF was selected as an economic development tool to facilitate specific private development projects. In the remaining two cases, North Loop and Near South, the Chicago Department of Planning and Development was the catalyst behind TIF district establishment in order to spark private investment.

In all cases, the Department of Planning and Development considered other economic development tools in lieu of TIF, such as Community Development Block Grants or the Cook County Real Property Incentives Classifications. However, the Department determined that the projects under consideration either would not qualify for federal economic development assistance or that the incentives available under the limited array of federal, state and local programs would not be an appropriate fit with project goals.

### **Planning Context**

There was wide variation in the amount of planning performed among the two TIF districts located in the Central Area and the three neighborhood TIF districts. The City conducted a substantial degree of market analysis and incorporated community input into the development of the North Loop and Near South TIF districts. The planning process for these TIF districts took into account recommendations from the extensive planning efforts that produced the North Loop Guidelines for Conservation and Redevelopment and the Central Station Development Guidelines

In the case of two of the three neighborhood TIF districts - West Ridge-Peterson and 95th & Stony Island - tax increment financing was adopted in response to developer projects, outside the

context of a comprehensive community plan, and with limited community input. The developer was also the driving force behind creation of the Division and North Branch TIF district. However, it is important to note that this district was designed to complement the City's designation of Planned Manufacturing Districts.

Interviews with current City Department of Planning and Development staff suggest that more recently, TIF districts are designated in conjunction with existing economic development plans, as evidenced by the number of industrial TIF districts being considered as tools to implement the recommendations of the Model Industrial Corridors Plan.

### *Common Planning Requirements*

There are several common provisions in the City's TIF redevelopment agreements.

First, property owners entering into agreements are prohibited by the City from appealing or seeking an exemption from property taxes.

Second, equal employment opportunity (EEO) language is required to be part of the TIF Redevelopment Plan under the State statute. The City also has affirmative action goals of its own. For example, the dollar goals for construction contracts or subcontracts provide that 25% of the total cost are directed to minority-owned business enterprises, 5% are directed to women-owned enterprises, and 30-50% are directed to Chicago-based businesses.

Third, most redevelopment agreements contain a "first source" agreement, in which the developer provides employment opportunities for Chicago residents first. A certain percentage of the permanent jobs created by the development are to be open to Chicago residents. The City refers resident applicants for the jobs from the City's job training programs, although developers are not required to hire the referrals. Depending on the redevelopment agreement, developers are sometimes required to include first source provisions in tenant leases, as well.

Finally, many redevelopment agreements contain a stipulation for "linked development." Linked development requires developers to provide specified hours of community service. For example, Commonwealth Edison was required to provide 500 hours of technical assistance for lighting design and implementation for a night lighting program in the CBD. Wabash-Randolph Partnership was required to provide 150 hours of technical assistance to neighborhood development efforts. Other developers make financial contributions toward redevelopment efforts. For example, in the Miller-Klutznick-Davis-Gray agreement, the developer promised to pay \$1.25 million toward the cost of maintenance and operation of the Harris-Selwyn Theaters. However, monitoring of linked development agreements is minimal.

### **TIF District Funding and Revenues**

The City uses "gap" analysis to determine the amount of financial assistance a project will be awarded. This method requires developers to submit two sets of operating statement projections—one showing project operations without any public assistance, and the other showing the project

operations with assistance. The difference between these two provides the amount of assistance the developer believes is needed to make a project worthy of investment, which the City then incorporates into its own analysis. The City does not usually provide assistance greater than 20%-25% of a given project's costs.

The City issued general obligation bonds to finance the North Loop TIF district. Limited obligation bonds, which pledge tax increment revenues toward debt service payments, were issued to finance the three other districts currently in operation: West Ridge-Peterson, Division and North Branch, and Near South. Because they are backed solely by TIF revenues, limited obligation bonds are considered far less risky to the City than general obligation issues (which pledge the City's full faith and credit) and impose no legal obligation on the City to make up TIF district revenue shortfalls.

The City provided assistance in the form of bonds in the five cases studied which were initiated between 1984 and 1991. However, more recently, it provides assistance on what is known as a "pay-as-you-go" basis, in which the developer receives assistance on an annual basis, up to the amount of incremental taxes in the TIF district, over a period of several years. This method requires that the developer assume the risk of development and be compensated based upon the success of the project, thereby ensuring the least risk to the City.

In all five cases studied, the incentives to private developers were relatively small in proportion to the total project costs. The City's unofficial policy is not to contribute more than 20-25% of a given project's costs. A few North Loop projects did not require public assistance, and several more involved the City's acquiring and selling property to developers at reduced prices (land write-down). The City contributed 25% of the total project costs at West Ridge-Peterson. Had the 95th and Stony Island project gone forward, the City was committed to contributing only 17%. In the two Near South examples, TIF provided 16% of the financing for the Wabash Limited Partnership project, and 10% of the Senior Suites project financing (although combined with a Department of Housing loan, the City's financing for the Senior Suites Project totaled 64%).

### **Public Comment**

Citizens voiced a variety of concerns at the mandatory public meetings held prior to TIF district adoption in all five cases studied, including: the project's potential impact on traffic and crime (West Ridge-Peterson); traffic and flooding (95th and Stony Island); and lack of affordable housing (Near South). In the three TIF districts created in the neighborhoods: West Ridge-Peterson, 95th and Stony Island and North Branch-Division - community representatives expressed frustration that proposed TIF improvements were not related to existing community plans.

In the case of the three neighborhood TIF districts, there appeared to be limited citizen participation in the discussions that preceded district development. In contrast, in the Near South and North Loop TIF districts, community residents were involved in meetings to develop guidelines that were later used in developing the TIF district. Even so, when the Near South TIF

District was amended, some community members expressed concern that it was amended primarily for the benefit of the developer rather than for broader community goals.

Some neighborhood representatives interviewed perceive a lack of initiative on the part of the City. In the West Ridge-Peterson and Division and North Branch TIF districts, neighborhood representatives expressed frustration that the TIF districts were rarely used to implement existing plans or community desires. Evidence suggests this situation is changing in the DPD, most notably in the use of TIF as a tool to realize the goals of the Model Industrial Corridors Plan.

### **Intergovernmental Review**

Depending on the TIF district's location, eight or nine units of government, including the Chicago Board of Education, overlie the five districts studied. However, none of these taxing districts has monitored TIF district development to an appreciable degree through participation in the planning process. In no instance did more than one taxing body ever attend meetings of the Joint Review Boards, the TIF districts' statutorily required review committees.

The taxing districts defend their lack of participation on the rounds that the sheer number of TIF districts in Chicago—36 and increasing—means that attending all JRB meetings would impose notable burden on the taxing districts' staffs. Usually, the JRB meets at least once prior to a TIF district's adoption, and then annual meetings convene on certain anniversaries. Some taxing districts, like Cook County, cover numerous other TIF districts outside of the City of Chicago, as well. Participation would require hundreds of hours of staff time.

### **TIF Amendments**

TIF Redevelopment Plans may be amended if the amendments are deemed necessary to enhance a project's original objectives, or if factors are present in adjacent areas that minimize the possibility of success within the original TIF district's boundaries. Two of the Chicago TIF districts studied amended their original plans: the Near South and the North Loop TIF districts.

The North Loop TIF was amended in 1987 and is under consideration for an additional amendment in 1997. The 1987 amendment provided for demolition of the landmark McCarthy building. The proposed 1997 amendment will change the district's name to the "Central Loop," expand the district's boundaries by 138.9 acres, and increase the original budget from \$283 million to \$538 million. The most significant uses of the additional funds will be for theater rehabilitation; the rehabilitation, conversion and reconstruction of buildings; public works improvements; and transit improvements.

The Near South TIF district's plan was amended in 1994, expanding the size of the district from 127 to approximately 375 acres and permitting the issuance of an additional \$40 million in bonds. The additional monies will be used to fund several purposes including the reimbursement of public improvements, incentives for structural rehabilitation and construction.

## Financial Data Trends

Comparative quantitative data for the five case studies are presented in this section. One of the original goals of the study was to present trends for the following types of data: a) changes in EAV over time; b) comparisons of how closely City projections of EAV growth matched actual growth; c) comparisons of how closely TIF project spending matched TIF district budgets; d) data on the number of jobs created. However, while we obtained data for the first three measures, information was not available for the last two.

### EAV Trends

The aggregate and compound annual growth rates of equalized assessed valuation for the five case studies is shown in Figures 3-18 and 3-19 below.

Figure 3-18

### AGGREGATE ANNUAL EAV GROWTH RATES

MEASURE	W. RIDGE- PETERSON	DIVISION- NORTH BRANCH	95TH- STONY ISLAND	NORTH LOOP	NEAR SOUTH*
Base Year	1986	1991	1990	1984	1990
% Increase in EAV From Base Year to 1995 in TIF District	163%	487%	94%	611%	24%
% Increase in All Chicago EAV From Base Year to 1995	60%	9%	11%	95%	11%

\* EAV growth calculated only for two year period after TIF district amendment established new frozen EAV base.

Aggregate EAV growth in each of the five TIF districts outpaced the EAV growth rate for the entire City of Chicago during comparable periods. Even in the 95th and Stony Island TIF district, where no development or public spending occurred, EAV grew by 94% between 1991 and 1995, faster than Chicago's aggregate EAV growth rate of 11% during the same period.

The greatest rate of aggregate growth was in the North Loop TIF district, where EAV grew 611% - from \$70 million to \$388 million - between 1983 and 1994. During the same period, EAV for the City of Chicago as a whole grew by 95%. Increases in the reassessment of sold or rehabilitated properties, due to the downtown district's strong rate of construction and rehabilitation activity, helped fuel the strong EAV growth.

The EAV growth rate for the Near South TIF district was the lowest of all five districts studied, increasing only 24%. This measurement, however, does not reflect aggregate EAV growth over the life of the district. Rather, it shows growth based on reconfiguration of the district's frozen base EAV after it was amended in 1994.

Figure 3-19 below shows annual compound EAV growth rates. Aggregate growth rate figures are informative, but compound annual growth rates give a clearer picture of annual growth, taking into account the different number of years each TIF district was in place. Once again, compound EAV growth rates greatly outpaced Chicago-wide growth rates.

Figure 3-19

COMPOUND ANNUAL EAV GROWTH RATES

MEASURE	W. RIDGE- PETERSON	DIVISION- NORTH BRANCH	95TH- STONY ISLAND	NORTH LOOP	NEAR SOUTH*
Base Year	1986	1991	1990	1984	1990
Compound Annual Growth Rate in TIF District EAV	11%	34%	14%	18%	11%
Compound Annual Growth Rate in Chicago EAV	5.4%	4.7%	2.1%	5.8%	0.5%

\* EAV growth calculated only for two year period after TIF district amendment established new frozen EAV base.

*EAV Projections*

The TIF statute requires that a Redevelopment Plan include a projection of what EAV will be at the completion of the redevelopment project. The reason the projection is mandated is not clearly stated, but it may be used to determine the maximum budget for the TIF. It might also be used to shorten the life of the TIF from the standard twenty-three years if the expected revenues were to amortize expected costs in a shorter time period.

In the Near South and Division-North Branch Redevelopment Plans, the projections are for the year 2005, so actual EAV figures are not available for comparison. For the latter case, the projection for 1995 was available in the bond ordinance, allowing comparison with actual growth,

so it was substituted in Figure 3-20. The figure shows that the City's EAV projections have not matched actual experience.

FIGURE 3-20

**CHICAGO CASE STUDY  
TIF EAV PROJECTIONS**

TIF District	Year of Projection	Projected EAV	Actual EAV for Year of Projection	Variance	Percent Variance
W. Ridge-Peterson	1988	\$ 3,390,000	\$ 3,415,817	\$ (25,817)	0.8%
Division-North Branch*	1995	\$ 1,089,861	\$ 2,829,427	\$ (1,739,566)	159.6%
95th-Stony Island	1994	\$ 14,650,000	\$ 4,167,156	\$ 10,482,844	-71.6%
North Loop	1995	\$ 622,000,000	\$ 387,725,248	\$232,274,752	-37.7%
Near South	2005	\$ 530,000,000	N/A	N/A	N/A

\* Sources: Bond Ordinance; All others from Redevelopment Plans.

### *Surplus Distribution*

The State TIF law requires that if more revenues are collected than are committed or budgeted for a given year, the difference is to be declared "surplus" and is to be distributed to the affected taxing bodies on a pro-rata basis.<sup>1</sup> According to the City staffers interviewed, school financial officers, and Cook County records, the City has never distributed surplus funds for any of its TIF districts.

In the case of 95th and Stony Island, funds were not being expended on project costs, and no plans for an alternate project were imminent. According to the City's 1995 Audited Financial Statements, the fund balance in the 95th and Stony Island TIF fund was \$567,389 on December 31, 1995. There were no disbursements or transfers out of the account during the year.

Another concern arises from an examination of the North Loop TIF fund balances. The year-end balances for three separate accounts totaled over \$50 million.

City staff said they are currently looking at ways that TIF money could be used to help the Chicago public schools. Coincidentally, school officials also said they have been trying to assess the extent to which they are negatively affected by TIF and how they can participate in its benefits. The TIF law includes capital costs of public buildings, vocational education, and job training, so the two governmental bodies may find ways to work together in the future.

### *TIF District Budget Trends*

<sup>1</sup> 65 ILCS 11 - 74.4 - 7.



According to interviews with several current and former DPD staff, the City has not done an adequate job monitoring budgetary data. Data detailing TIF district budget and expenditure trends were often not immediately available. This makes it difficult to assess the actual cost of TIF to municipal taxpayers on a per project basis.

The actual dollars spent from the TIF districts is not reported in detail in the Comptroller's Comprehensive Annual Financial Report. Each TIF district has a line item in the City's financial statements with gross receipts, distributions, and transfers. It is impossible to allocate expenditures against the project budget from this information. The Comptroller's Office has prepared such information on request, but it is not otherwise publicly available.

#### *Other Data: Jobs Creation and Private Investment Dollars Generated*

As a rule, the City does not maintain data for all TIF districts on the number of jobs or the amount of private investment dollars generated on an aggregate or per-TIF district basis, although these are often stated as important policy objectives of TIF projects.

The First Source office of the City recommends potential applicants, monitors job openings in some cases, according to DPD staff. However, no additional monitoring is done, and the number of permanent jobs created is unavailable. DPD staff could provide no information on jobs created for the five cases studied.

#### **The Economic Development Results of TIF**

In the Chicago case study sample set, tax increment financing was used to help achieve two different economic development objectives. In the North Loop and Near South TIF districts, TIF was used to facilitate multiple-use redevelopment activities. In the three other neighborhood TIF districts, tax increment financing was proposed as a means of achieving very specific results, including the construction of shopping centers and rehabilitation of an industrial site.

Four of the five TIF districts studied have experienced a degree of new investment. Major activities in each individual district are briefly recapitulated below.

*West Ridge-Peterson:* A shopping center was constructed, anchored by a Venture store, three other retail spaces and two outlet stores.

*Division and North Branch:* Facilities for the River North Distributing Company were constructed.

*The North Loop:* A significant number of projects have been completed or are underway in the North Loop TIF district. Completed projects include the apartment building at 200 N. Dearborn, restoration of the Chicago Theater, the hotel/retail and office development at Wacker and Dearborn Streets, and restoration of the historic Reliance Building. The district has not yet been able to attract development to Block 37, originally the proposed site for a major office tower and retail center by FJV Venture.

*Near South:* This district has experienced a great deal of activity, including: the reconstruction of Roosevelt and Indiana Avenues; improvements to Prairie Avenue, 14th and 15th Streets; and landscaping. The District's 1994 amendment provided funds for structure rehabilitation and the construction of senior housing.

*95th and Stony Island:* This TIF district has not experienced significant redevelopment activity. The original intended purpose of the TIF district was the establishment of a new shopping center.

### **Limitations of Data for Evaluation**

State statute does not require the maintenance of detailed TIF district records and this study found that data on the broad public benefits of tax increment financing are not systematically maintained and/or made readily available by the City of Chicago. The lack of data makes a comprehensive measurement or evaluation of the long-term economic development benefits of tax increment financing difficult.

The lack of reporting of data found in our evaluation of the five City of Chicago case studies raises several issues pertaining to administrative procedures. As previously mentioned, better tracking of the costs and benefits of TIF is needed for the City to evaluate the progress of each individual project, as well as to refine its ongoing policies before adopting additional TIF districts or committing to additional TIF projects.

Part of the difficulty in maintaining TIF district records seems to stem from the division of administrative duties among the various City departments involved in TIF administration and recordkeeping. For example, DPD is not involved in monitoring job growth resulting from TIF projects although some tracking is done through the job training offices. In regard to financial record keeping, the Comptroller's Office monitors expenditures, while the Department of Planning and Development prepares the annual budgets. Currently, DPD does not have direct access to the actual spending that takes place, and, therefore, has no tool for monitoring the relation of budget to actual expenses.

It should be noted that the City has four professional staff devoted to TIF administration, and there was significant turnover in personnel during the period of this study. This division may be understaffed, considering the work load required to administer the 36 existing TIF districts, along with the additional monitoring suggested in this report. A DPD manager interviewed acknowledged that the areas mentioned above needed improvement, although it should be noted that improving administration may require the hiring of additional staff.

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## CHICAGO TIF TAX EXTENSIONS TRENDS

The figure below shows the taxes extended for the TIF districts from inception to tax year 1995. The tax extensions in this circumstance are an aggregate figure for the actual dollar amounts billed to property taxpayers in the TIF district.

The tax extensions range from \$204,825 for the 95th and Stony Island TIF to \$31,220,938 for the North Loop. All the districts except for West Ridge-Peterson have seen significant growth since the first year of operation.

YEAR	West Ridge-Peterson	% Change	Division-North Branch	% Change	95th-Stony Island	% Change	North Loop	% Change	Near South	% Change
1983							\$ 1,565,149			
1984							\$ 709,955	-54.6%		
1985							\$ 859,301	21.0%		
1986							\$ 1,984,996	131.0%		
1987	\$ 672,542						\$ 4,381,327	120.7%		
1988	\$ 189,477	-71.8%					\$ 6,541,427	49.3%		
1989	\$ 176,088	-7.1%					\$ 9,795,083	49.7%		
1990	\$ 186,226	5.8%	\$ 2,041				\$ 18,630,853	90.2%		
1991	\$ 204,868	10.0%	\$ 25,464	1147.6%	\$ 137,812		\$ 19,748,347	6.0%	\$ 1,578,356	
1992	\$ 215,660	5.3%	\$ 168,539	561.9%	\$ 148,970	6.8%	\$ 23,964,037	21.3%	\$ 904,694	-42.7%
1993	\$ 223,114	3.5%	\$ 223,527	32.6%	\$ 154,820	5.3%	\$ 29,896,712	24.8%	\$ 945,728	4.5%
1994	\$ 242,664	8.8%	\$ 216,119	-3.3%	\$ 171,265	10.6%	\$ 30,340,854	1.5%	\$ 2,338,677	147.3%
1995	\$ 246,810	1.7%	\$ 219,353	1.5%	\$ 204,825	19.6%	\$ 31,220,938	2.9%	\$ 2,867,963	23.5%
<b>Change Since Inception</b>	<b>-63.3%</b>		<b>10647.3%</b>		<b>48.8%</b>		<b>1894.8%</b>		<b>83.0%</b>	



**APPENDIX 3-2****CITY OF CHICAGO TAX  
INCREMENT FINANCING PROGRAM****Introduction**

Tax Increment Financing (TIF) is a City of Chicago program developed pursuant to legislation of the State of Illinois which provides a governmental incentive to private developers to stimulate investment in areas which have difficulty attracting development. It is used in areas which are "blighted" or in danger of becoming blighted (conservation areas) as defined in the state law which governs TIFs.

Tax increment financing uses future property taxes to provide incentives to develop areas which would not be developed if not for the governmental assistance. For example, an area that is too costly to develop sits under-utilized or vacant. Property taxes are at a rather low base amount because the area is under-utilized. If the area were redeveloped, taxes for the area would be greater. Tax increment financing works by giving economic incentives to a developer to invest in an area: taxes then go up and the increased property taxes are used to pay for the incentive.

In order for the City to offer TIF assistance to a developer, the City must create a TIF redevelopment area or district based on the criteria concerning blight required by the state statute as discussed below. The establishment of a TIF district is a technical process which takes approximately six months to accomplish. It is subject to the approval of the City Council of the City. Once the district is established, the City can pay eligible costs incurred by a developer after the district is established from incremental property taxes captured in the TIF district for 23 years. The annual increase in incremental property taxes generated within the TIF district over the base amount of property taxes in the year the TIF district was established can be used for eligible project costs necessary to fully utilize property in the redevelopment area.

Tax increment financing does not increase property taxes to a rate higher than what they would be without the establishment of a TIF district. Property taxes increase only because the property is taxes for its more productive use. When the project is completed, the City expects that the new development will have a positive economic impact on both the immediate area and the City as a whole by stimulating more development in the area, creating new jobs for Chicago residents and increasing the City's tax base. The City also benefits because the area will remain developed after the 23 year period for the incentive is over.

**Eligible Redevelopment Costs**

Only certain costs are authorized for payment under the state legislation. Such eligible costs include costs of studies and surveys, costs associated with the acquisition of land, costs of rehabilitation or repair of existing public or private buildings, costs of construction of public

works or improvements, costs of job retraining programs, relocation and financing costs. The most significant costs which are not eligible are the costs of new construction and equipment.

### **APPENDIX 3-3**

## **CITY OF CHICAGO TAX INCREMENT FINANCING PROGRAM CHECKLIST**

So that the City can evaluate a Tax Increment Financing (TIF) request, Applicant must furnish the following:

1. **A narrative that describes the project that contains:**
  - a) Construction information that includes the number of square feet to be demolished and constructed, the number and square footage of units, parking, and the number of construction phases;
  - b) Evaluation of site constraints;
  - c) A request for the City's assistance with the project that specifies the type(s) of assistance needed and why it is needed;
  - d) Time constraints that affect the project; and
  - e) An affidavit stating that the property has not received a county real estate tax reduction and that such a reduction has not and will not be applied for if TIF assistance is awarded to the project.
2. **Sources and Uses of Funds** for the project. The Sources of Funds should include equity, lender financing and other financing.
3. **Pro Forma Income and Expense Schedules** for the project. The pro formas should be monthly for a five year period, and should contain detailed assumptions including vacancies and debt service. There should be two sets: (a) one set without City assistance and (b) one set with City assistance.
4. **Financial Commitments** from lenders including construction financing, permanent financing, and any governmental financing that include the nature and terms of the obligations.
5. **Ownership structure, resumes of the principals, financial statements of the Applicant and narrative about experience with similar projects.**
6. **Market Studies** for the project, including market rents, letters of intent/interest from tenants. (Not required for industrial projects).
7. **Evidence of site control** including titles, options and a narrative about the status of property acquisition.

8. **Copy of appraisal.**
9. **A narrative that describes the public benefits created by this project such as: Minority Business Enterprise (MBE)/ Women Business Enterprise (WBE) subcontractor participation, number and types of permanent full time jobs created, number of temporary construction jobs; estimated payroll, most recent equalized assessed valuation ("EAV"), estimate of EAV after redevelopment.**
10. **Timeline for project.**
11. **Environmental Reports/Studies for the site.**

### **Creation of TIF Districts in Chicago**

For an area to be designated as a tax increment financing district, the City must demonstrate that the prospective district qualifies as a "blighted area" or as a "conservation area" within the definitions set forth in the state legislation. A "blighted area" may be either improved or vacant. If the area is improved, five or more of the following factors must be present: age, dilapidation, obsolescence, deterioration, illegal use of individual structures, structures below minimum code standards, excessive vacancies, overcrowding of structures and community facilities, lack of ventilation, light or sanitary facilities, inadequate utilities, excessive land coverage, deleterious land use or lay-out, depreciation of physical maintenance or lack of community planning. If the area is vacant, the City must find that its sound growth is impaired by a combination of two or more of the following factors: obsolete platting, diversity of ownership, tax delinquencies, flooding, deterioration of site improvements on adjacent land, or that the area consists of an unused quarry, railyard or disposal site. To demonstrate that the area meets these criteria, an eligibility study is conducted. At the same time, a redevelopment project and plan is created which sets forth the City's plans for the proposed TIF district. Eligibility studies and redevelopment project and plans are generally prepared by consultants hired by the developers and reviewed and accepted by the City.

Once the eligibility study and the redevelopment project and plan are completed, the City must hold a public hearing and convene an advisory joint review board (described below) to discuss the findings of the eligibility study and the proposed redevelopment project and plan and to consider the proposal. After the City has considered all comments made by the public and the joint review board, if any, the City Council on the City of Chicago may adopt the ordinances creating the TIF district.

The joint review board consists of a representative selected by each taxing district having taxing power over the area, and a member of the public. The public hearing is normally scheduled at a meeting of the Community Development Commission (CDC), an advisory commission to the City Council on development matters whose members are appointed by the Mayor of the City, and generally held two months later at another CDC meeting. If approved by the CDC, the three ordinances required for the designation of the TIF district are introduced to City Council, referred to the City Council's Committee on Finance and then reconsidered by the full City Council.

**Designation of Developer**

In order for the City of assist a developer with TIF funds, the City must enter into a redevelopment agreement with the developer. The City first negotiates the terms of the TIF assistance with the developer, presents such terms to the CDC, and requests authority to enter into a redevelopment agreement with the developer if no responsive alternative proposals are received by the City once it advertises its intention to enter into the redevelopment agreement. So long as no responsive alternative proposals are received, the redevelopment agreement is finalized and presented to the City Council of the City of Chicago for its approval. If the City Council approves the redevelopment agreement, the City is authorized to enter into the agreement.

The City can pay for eligible redevelopment costs in two different ways:

1. The City can reimburse a developer for eligibility project costs on a "pay as you go" basis. In this scenario, the developer initially pays for entire cost of the project and the City reimburses the developer annually as it receives the incremental property taxes; or
2. The City can issue bonds to be repaid from the projected property tax increment revenues to be generated within the redevelopment project area and therefore pay for eligible project costs upfront.

**Incremental Property Tax Revenue**

Incremental property tax revenue is derived from the increase in the equalized assessed valuation of real property within the TIF district over and above the equalized assessed valuation in effect at the time the TIF district is established. Any such increase in equalized assessed valuation above the initial equalized assessed valuation is then multiplied, on an annual basis, by the aggregate tax rate resulting from the levy of real property taxes by all units of local government having taxing power over that real property. The product of this calculation is the amount of incremental property tax revenues generated within the TIF district.

Tax increment financing does not generate revenues by increasing tax rates. (Tax rates may rise based on factors independent of tax increment financing due to increase in the levies of the different taxing districts). Instead, it generates revenues by allowing the City to capture all property tax revenues that exceed the "base" equalized assessed valuation of the area before being designated for redevelopment. Property taxes are generally paid to approximately seven different taxing districts of which the City is just one. When a TIF district is created, instead of each of the taxing districts receiving their portion of the incremental property taxes, the incremental property tax revenue is deposited into a special tax allocation fund from which redevelopment are paid. Under tax increment financing, all overlapping taxing districts continue to receive real estate tax revenue based on the initial equalized assessed valuation.

**Application**

To apply for TIF assistance, an Applicant must complete an application. For more information regarding the City's program or a copy of the application, please call the Department of Planning and Development at (312) 744-9220.

**State Legislation**

For more information regarding tax increment financing, please see the state legislation which authorizes it: The Tax Increment Allocation Redevelopment Act of the State of Illinois, 65 ILCS 5/11-74.1 et seq., as supplemented and amended from time to time.

## Chapter Four

# SUBURBAN COOK COUNTY TAX INCREMENT FINANCING CASE STUDIES

David Silverman  
S.B. Friedman & Company

In October, 1996 S.B. Friedman & Company was engaged by The Civic Federation to examine the operation of Tax Increment Financing (TIF) programs in five suburban Cook County communities. Chapter Four presents the findings of this analysis.

The five communities surveyed for this study were Berwyn, Franklin Park, Matteson, Homewood and Schaumburg. They were chosen on a basis of geographic and TIF-type diversity. Summary data about the five districts is presented in Figure 4-1 below.

FIGURE 4-1

### SUBURBAN COOK CASE STUDY SAMPLE

TIF DISTRICT	YEAR CREATED	TIF TYPE	INITIAL OBLIGATION	SIZE OF TIF DISTRICT	BASE EAV
Berwyn Theater Redevelopment Area	1988	Mixed-Development	\$2,400,000	23.1 acres	\$5,856,633
Franklin Park Redev. Project Area #3	1989	Mixed-Development	\$3,660,000	17.3 acres	\$1,036,818
Homewood CBD Redevelop. Area	1978	Central Business District	\$4,210,000	18 acres	\$816,155
Matteson Industrial Conservation Area	1989	Industrial Conservation Area	\$6,900,000	153 acres	\$2,934,077
Olde Schaumburg Center	1989	Central Business District	\$7,270,000	123 acres	\$10,754,500

The objective of the suburban Cook case studies was to assess:

- 1) What factors prompted the municipality to adopt TIF?;
- 2) What types of planning processes were undertaken prior to the TIF district's implementation?;
- 3) What were the community's specific eligibility findings and planned projects identified within their Eligibility Study and Redevelopment Project and Plan?;
- 4) What kinds of financing were used to develop the TIF district?;
- 5) What was the scope of public comment and/or concerns and intergovernmental review by overlying taxing jurisdictions?;
- 6) Were amendments made to the original TIF district and to what extent did these amendments expand or contract TIF activity and obligations?; and
- 7) What was the performance of the TIF based on trends in Equalized Assessed Value (EAV) since its inception and evidence of physical development within the district?

Consideration of these questions is followed by a discussion of the impact of data limitations on evaluation of TIF. To assess these aspects of TIF operation, we contacted community and taxing jurisdiction officials for interviews and requested information related to the TIF district we were specifically reviewing.

## **METHODOLOGY**

To gather the information for the suburban Cook County study communities interview sessions were conducted with community officials involved in the TIF process. The interviewed officials typically included village managers, community planners, and officials from overlapping jurisdictions. These interviews were supplemented with printed information from public hearings, development agreements, TIF plans, and other information documents that would enable understanding of the anatomy and mechanics of the TIFs examined.

Five suburban Cook County communities were surveyed for this study. Each community has had a property tax TIF in place for at least seven years, some for as long as 18 years. The five communities were selected by representatives from the Civic Federation, the Institute of Government and Public Affairs at the University of Illinois at Chicago, and the Metropolitan Planning Council. Among the factors used to select the five communities were:

- Geographic diversity
- Diversity of TIF types (i.e., Industrial, Mixed-Development, and Central Business District)
- Years TIF has been in place

The age of each TIF district was an important consideration in the selection process. To effectively analyze the impact of TIF, each TIF district had to have been in place long enough to have produced some results—negative or positive—fiscally and/or physically. Tangible physical results were critical in associating TIF objectives with the realities of a community's program for the Redevelopment Project Area.

No sales tax TIF districts were selected because after 1986 no TIF district was eligible to receive a sales tax designation. The five selected communities with their TIF district names, TIF district types, and the months and years TIF districts were created are listed in Figure 4-2 below.

**Figure 4-2**

**SUBURBAN STUDY COMMUNITY TIF DISTRICT NAMES, TYPES, AND FORMATION DATES**

<b>COMMUNITY</b>	<b>TIF DISTRICT NAME</b>	<b>TIF DISTRICT TYPE</b>	<b>MONTH/YEAR CREATED</b>
<b>Berwyn</b>	Berwyn Theater Redevelopment Area	Mixed-Development	June 1988
<b>Franklin Park</b>	Redevelopment Project Area #3	Mixed-Development	May 1989
<b>Homewood</b>	Central Business District Redevelopment Area	CBD	November 1978
<b>Matteson</b>	Matteson Industrial Park Conservation Area	Industrial	February 1989
<b>Schaumburg</b>	Olde Schaumburg Center	CBD	February 1989

Source: Illinois Department of Revenue

**COMMUNITY CONTEXT**

The five selected communities are quite varied in their demographic composition. Generally, Matteson, Homewood and Franklin Park can be best characterized as medium sized bedroom communities. Berwyn and Schaumburg are large, suburban communities with extensive commercial and residential districts that serve as employment centers within their respective areas of Cook County. However, such generalizations do not begin to encapsulate the social and economic dynamics occurring within the suburban study communities. The following figure provides a demographic overview of the five selected communities from data derived from the 1990 Census:



FIGURE 4-3

**SELECTED SUBURBAN DEMOGRAPHIC DATA  
(1990 CENSUS)**

CATEGORY	BERWYN	FRANKLIN PARK	HOMEWOOD	MATTESON	SCHAUMBURG
Population	45,426	18,485	19,278	11,378	68,586
Median Age	38	34	38	32	32
Med. Hshld. Income	\$31,326	\$34,379	\$47,064	\$48,085	\$47,029
Per Capita Income	\$15,097	\$14,176	\$20,979	\$16,390	\$20,826
% of Pop. Below Poverty	5.7	6.1	1.4	3.8	2.7
Households	19,110	6,590	7,405	3,626	27,542
% of Pop. w/ College Degree	15.0	10.5	38.0	25.9	34.2
% Owner Occ. Hsg.	61.9	73.4	85.7	81.4	65.2
% Renter Occ. Housing	38.1	26.6	14.3	18.6	34.8
Med. Year Built	1939	1955	1961	1973	1977

According to the 1990 Census, with the exception of Berwyn, each of the suburban communities had median incomes that exceeded the median income of Cook County (\$32,673). Schaumburg, Matteson, and Homewood recorded median income data that were well above comparable data for Cook County. Additionally, both Berwyn and Franklin Park had per capita incomes that were below the figure found for Cook County as a whole (\$15,697). Interestingly, Matteson recorded a per capita income which was only slightly above the income for the county (third highest per capita income for the study group), while recording the highest median household income among the five communities. Not surprisingly, the proportion of persons residing below the poverty level in the five communities were below the same figure for the county (8%).

Homewood, Matteson and Schaumburg recorded educational attainment levels well in excess of those found within Cook County as a whole. The proportion of the county population with an associate or bachelor's degree was 19.7%. Both Berwyn and Franklin Park had educational attainment levels well below Cook County's level.

In each instance, the percentage of owner-occupied housing exceeded the figure for Cook County (51.6%), by as little as 10.6% and as much as 34%. With the exception of Berwyn, the median age of housing was less than that found within the county (median year built, 1954). Berwyn housing's median age was 15 years older than the median age of housing within Cook County.

With the exception of Schaumburg and Matteson, the communities exceeded Cook County's median age of population (32.8 years old) by fairly significant margins, ranging from two to six years. Both Matteson and Schaumburg had median age of population similar to Cook County's median age.

The discussion of demographic data comparing each individual community's 1990 Census information with Cook County's reveals that Matteson, Homewood and Schaumburg are demographically well positioned within Cook County. In terms of income and population potential—as derived from measurements of educational attainment, age, and home ownership—these three communities exhibit attractive characteristics that should have a correspondingly stimulating effect on property values. On the other hand, Berwyn and Franklin Park seem to be communities with stagnating or declining population bases which would translate into areas of property value decline.

Figure 4-4 details demographic trends between 1980 and 1990 within each of the five communities using selected Census categories from Figure 4-3 above.

**FIGURE 4-4**

**ABSOLUTE VALUE CHANGES IN SELECTED  
SUBURBAN DEMOGRAPHIC DATA (1980-1990)**

<b>CATEGORY</b>	<b>Berwyn Change 1980-1990</b>	<b>Franklin Park Change 1980-1990</b>	<b>Homewood Change 1980-1990</b>	<b>Matteson Change 1980-1990</b>	<b>Schaumburg Change 1980-1990</b>
<b>Persons</b>	-3.0%	5.6%	-2.3%	11.3%	28.7%
<b>Med. Hshld. Income</b>	1.9%	-12.1%	0.9%	1.8%	4.8%
<b>Per Capita Income</b>	-0.7%	-1.8%	13.9%	8.3%	21.3%

\* All figures are absolute values, and income data is adjusted for inflation using CPI inflation factor of 1.708.

Of the five communities, only Berwyn and Homewood experienced declines in total population between 1980 and 1990. On a per capita basis, Berwyn also experienced a decrease in income over the ten year Census interval, but did record a modest increase in median household income. Homewood recorded a slight gain in median household income, but registered a strong gain in per capita income over the same period of time. Franklin Park recorded declines in both income categories, particularly the steepest decline in median household income over the Census interval.

Matteson and Schaumburg recorded growth in the three demographic categories analyzed between 1980 and 1990, indicating that both were growing communities in the ten year period analyzed. Berwyn and Franklin Park exhibited general signs typical of aging inner ring suburban communities, with general demographic trends moving in directions indicative of community stagnation or decline. In Franklin Park, the information was more mixed, but there are generalized trends indicating that

Caution must be taken when interpreting the community data presented here. While general trends may indicate that Berwyn and Franklin Park are "declining" communities based upon the

selected demographic data, other trends may exert a sufficient countervailing influence to offset the effects of community poverty levels. The sum of a community's health is greater than selected individual demographic categories. Nonetheless, these same categories point toward potential strengths and/or weaknesses in a community's overall social and economic health that can be used to compare communities.

## **THE STUDY COMMUNITIES**

In the following sections, each of the five TIF districts studied is profiled. The sections review the redevelopment project in terms of history of the TIF district and specifics of the redevelopment plans. Additional review and analysis is provided on fiscal data associated with the performance of the TIF district and the successes or shortcomings of any one project; the relationship between the municipality and overlying jurisdictions whose revenue was impacted by the creation of the TIF district; and any planning component that served to support the creation of the TIF district and its goals and objectives. Finally, an evaluation of the operation of TIF in each community will be conducted, and final observations and comments on the operation of TIF will be set forth for consideration by the reader.

### **BERWYN THEATER REDEVELOPMENT AREA**

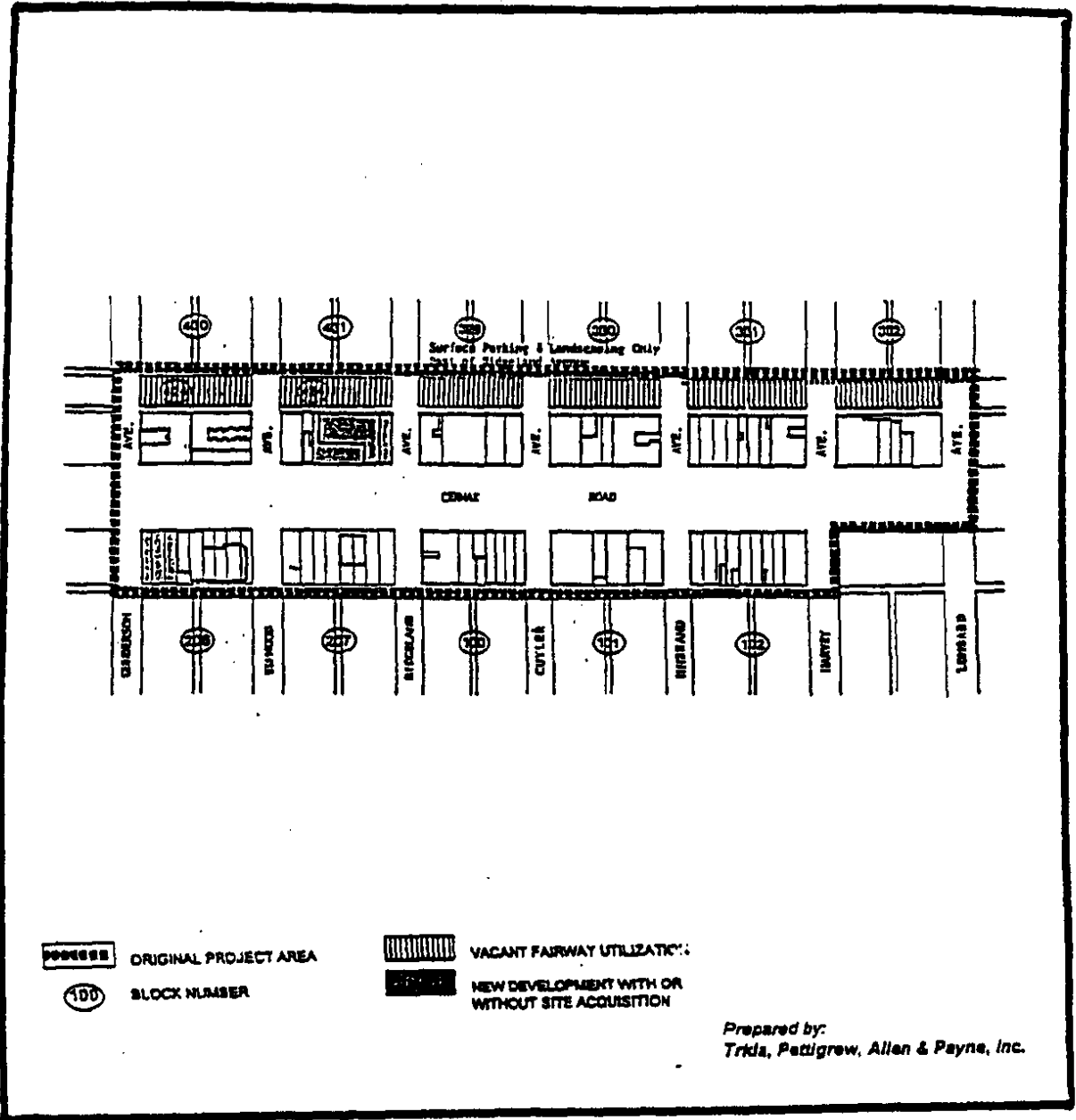
#### *Why Was TIF Selected?*

In 1987, the City of Berwyn was faced with a declining commercial corridor along Cermak Road between Lombard and Gunderson Avenues, (see Map 1: Original Berwyn Theater Redevelopment Project Area). Businesses were closing and certain structures started to show signs of deterioration as a result of deferred maintenance. However, it was the closure and vacancy of the Berwyn Theater that prompted the City to pursue a targeted strategy along Cermak Road. The Cermak Road corridor had been the traditional area of business activity in Berwyn and is a major thoroughfare for the City.

#### *Planning Context*

The original 1987 Berwyn Theater TIF Redevelopment Project and Plan preceded the adoption of the City's Comprehensive Plan, which was approved in 1993. However, the objectives of the TIF Redevelopment Project and Plan, which were later drafted by the Berwyn Development Corporation (BDC), the City, and Cermak Road business interests, were built into the broader

Map 1: Original Berwyn Theater Redevelopment Project Area



Berwyn Theater Redevelopment Area

Comprehensive Plan objectives of creating a system of quality commercial development that does that following:

- Enhances the City's tax base;
- Maintains and expands the range of retail and commercial service activities available within the City;
- Encourages the corrective maintenance of older commercial properties;
- Initiates long-range improvement and development programs for the various commercial corridors within the community;
- Ensures safe and convenient vehicular access to, and adequate parking in, all commercial areas;
- Encourages safe and convenient pedestrian access to shopping and service areas; and
- Improves the image and appearance of all existing commercial areas.<sup>1</sup>

The objectives set forth in the original Berwyn Theater Redevelopment Project and Plan in 1987 indicate that the City was already beginning to acknowledge the declining state of its commercial corridors. These same goals—plus additional objectives—were more broadly addressed in the 1993 Comprehensive Plan.

The City considered TIF to be the best economic development device to address the Cermak Commercial Corridor's needs; other economic development programs were not considered. The City and its consultant, Trkla, Pettigrew, Allen & Payne (TPAP), were immediately able to identify enough of the statutory factors to apply "conservation area" status to the Cermak Road Corridor. According to the information in the "Berwyn Theater Area Eligibility Report," the following factors were identified as being reasonably distributed on the eleven blocks that made up the original district:

- Age;
- Dilapidation;
- Deterioration;
- Existence of structures below minimum code standards;
- Excessive vacancies;
- Excessive land coverage;
- Depreciation of physical maintenance; and
- Lack of community planning.<sup>2</sup>

It is important to note that "age" plus three additional eligibility factors must be found within a proposed "conservation district." "Age" is the only eligibility factor that is a required finding, and the factor serves as a pretext for the other eligibility findings as they pertain to "conservation

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<sup>1</sup>*Comprehensive Plan and Economic Development Strategy: City of Berwyn*, Trkla, Pettigrew, Allen & Payne. (1993), p. 7.

<sup>2</sup>*Berwyn Theater Area Eligibility Report*, Trkla, Pettigrew, Allen & Payne. (May, 1987), p. 2.

districts.” The specific requirements for “age” in regard to “conservation districts” is that at least 50% of the buildings within a proposed “conservation area” TIF must be 35 years of age or older.

The stated goals of the Berwyn Theater Redevelopment Project and Plan included the removal of influences that lead to physical and economic deterioration, as well as obsolescence, within the Redevelopment Project Area (RPA); the promotion of sound economic development in the RPA; the revitalization of the Cermak Road commercial corridor to serve as a focal point for Berwyn; and the creation of an environment within the RPA that contributes to the health, safety, and general welfare of the City and the preservation and enhancement of property values in the areas adjacent to the RPA.<sup>3</sup>

The Redevelopment Project and Plan document indicates that site acquisition through purchase or long-term lease may be required to accomplish the goals and objectives of the Redevelopment Project and Plan. In the original TIF documents, only two sites were shown as being scheduled for acquisition. One site, located at the southeast corner of Gunderson and Cermak, contained three vacant lots. The other site, at the northwest corner of Ridgeland and Cermak, contained the Berwyn Theater building and associated surface parking areas.

Projected costs for the original Berwyn Theater Redevelopment Project Area were as follows:

**Figure 4-5**

**BERWYN THEATER REDEVELOPMENT PROJECT BUDGET**

<b>ACTIVITY</b>	<b>AMOUNT</b>
Acquisition	\$ 600,000
Street Improvements	\$ 400,000
Consolidation of Parking Facilities	\$ 500,000
Facade Rehabilitation (grants and loans)	\$ 450,000
Site Improvements	\$ 150,000
Planning, Legal and Administration	\$ 100,000
Interest and Contingencies	\$ 200,000
<b>TOTAL</b>	<b>\$ 2,400,000</b>

Of the \$2.4 million originally scheduled, 25% was for acquisition costs—mostly related to the acquisition of the Berwyn Theater building. Sixty-three percent of TIF district income was to be used for area-wide improvements, and approximately 13% was scheduled for professional and administrative costs, bond fees, and contingencies.

Under the original redevelopment program, Cermak Road was redesigned to make it more accessible for pedestrian circulation, as well as for vehicular traffic and parking. The original program also involved the acquisition of a vacant CTA right-of-way east of Ridgeland Avenue to provide surface parking for the businesses along Cermak. West of Ridgeland, the plan called for the development of new commercial or elderly housing on the former CTA right-of-way. Another

<sup>3</sup>*Berwyn Theater Area TIF Redevelopment Project and Plan*, Trkla, Pettigrew, Allen & Payne, (May, 1987), p. 5.

important activity undertaken was the establishment of a facade rehabilitation rebate program for commercial properties within the Redevelopment Project Area.<sup>4</sup>

The facade rebate program is operated through the Berwyn Development Corporation (BCD), which supervises all TIF-related activities. The rebate program was created to stimulate investment by property owners in their buildings to enhance the overall appearance of the Cermak Road commercial corridor and to complement the public improvement initiatives under the redevelopment program. The BDC has created a formal application and review process for business owners interested in participating in the program. The program operates as a 50% match for any improvements financed by the owner outside the program. The property owner must adhere to design guidelines created specifically for the program. The Village uses its own architect and contractor to do all design and rehabilitation work; any professional fees are absorbed by the TIF district.<sup>5</sup>

The 1985 Equalized Assessed Value (EAV) of \$4,723,842 was the base value of the proposed Redevelopment Plan and Project area. It was estimated that by the year 1990, all private redevelopment activities would be completed and fully assessed, and the EAV for real property within the Redevelopment Project Area would be between \$7,767,000 and \$8,337,000. It was estimated that by 1995 the EAV for the Redevelopment Project Area would range from \$8,335,000 to \$8,905,000. According to Village officials, bonds were issued to finance the streetscape improvement and facade rebate programs. The plan also provided for the issuance of general obligation bonds, in addition to TIF bonds, to finance the improvements outlined in the Redevelopment Project and Plan document.<sup>6</sup>

#### *Public Comment and Intergovernmental Review*

According to City officials, the overlying jurisdictions were aware that declining tax receipts would continue and would affect future revenue levels. Therefore, these overlying taxing bodies supported the creation of a TIF district.<sup>7</sup> At the time, the City school districts that overlap the TIF district—two elementary schools and one high school—had experienced several years of declining enrollments.<sup>8</sup> Therefore, the schools were not concerned with the potential for revenue loss arising from the creation of the TIF district. Nevertheless, at a public hearing held on June 24, 1987, citizen concerns revolved around the potential of revenue loss for schools and other taxing jurisdictions.

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<sup>4</sup>Ibid., p. 11.

<sup>5</sup>Interviews with Village official(s) conducted on November 7, 1996.

<sup>6</sup>*Berwyn Theater TIF Redevelopment Project and Plan*. Trkla, Pettigrew, Allen & Payne, (May, 1987), p.17.

<sup>7</sup>Interviews with Village official(s) conducted on November 7, 1996.

<sup>8</sup>Ibid.

At the public meeting, TPAP representatives and City officials addressed the citizens' concerns with a three-part explanation:

1. Schools and other taxing bodies would still be able to levy taxes against the base Equalized Assessed Value (EAV) for the district;
2. The future increase in EAV would directly benefit the overlying jurisdiction, which would not otherwise have occurred but for the Village's redevelopment efforts; and
3. Any excess revenue collected from the district—beyond that needed to pay down existing obligations—could be redistributed to the overlying taxing bodies.<sup>9</sup>

The consultants and City officials also addressed residents' questions and concerns by highlighting the benefits of TIF that were identified in the Redevelopment Project and Plan document. Additional points brought out at the meeting regarding potential benefits of the TIF district, beyond those originally outlined in the Redevelopment Project and Plan, were the anticipated growth of sales tax revenue; balancing of property tax burdens borne by homeowners and non-residential property owners; increased revenue for all taxing bodies; likelihood of new investment being attracted to the area; and increased employment opportunities for the Village.<sup>10</sup>

These explanations seemed to answer residents' concerns; available documentation revealed no public opposition to the outlined TIF district plans for the Cermak Road commercial corridor.

### *TIF Amendments*

In August 1996, the boundaries of the Redevelopment Project Area were expanded west from Gunderson Avenue to Harlem Avenue (see Map 2: Expanded Berwyn Theater Redevelopment Project Area Boundaries). This expanded area added 23 blocks to the original eleven blocks. The redevelopment program outlined in the original Redevelopment Project and Plan was simply carried over to this new area. Project costs for the additional Redevelopment Project Area were estimated at \$4,325,000. The new total project costs arising from both the original project area and the expanded project boundaries increased to \$6,725,000. The base 1995 EAV for the added project area was estimated to be \$20,367,052. The estimated 1999 EAV of the added project area is calculated to be between \$31,257,776 and \$33,132,758.<sup>11</sup>

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<sup>9</sup>Minutes from public meeting held on July 8, 1987.

<sup>10</sup>Minutes from public meeting held on July 8, 1987.

<sup>11</sup>*The Amended Berwyn Theater TIF Redevelopment Project and Plan*, Trkla, Pettigrew, Allen & Payne, (October 25, 1996), p. 29.



According to the information within the Redevelopment Project and Plan for the amended area, the added blocks exhibited nine conservation area eligibility factors:

- Age;
- Obsolescence;
- Deterioration;
- Existence of structures below minimum code standards;
- Excessive vacancies;
- Excessive land coverage;
- Deleterious land use or layout;
- Depreciation of physical maintenance; and
- Lack of community planning.<sup>12</sup>

Seven of the nine factors (age, deterioration, excessive vacancies, excessive land coverage, depreciation of physical maintenance, and lack of community planning) replicated factors found within the original boundary area.

According to the findings in the TIF amendment, three blocks exhibited five or more of these eligibility factors to a major extent. However, ten of the 23 added area blocks exhibited two or fewer of the factors to a minimal extent.<sup>13</sup> With the exception of “age” under “conservation area districts,” the Illinois Tax Incremental Financing Act does not provide benchmarks, nor does it define specifically to what extent an eligibility factor must be present to qualify an area. Therefore, whether a factor is present to a meaningful or minimal extent is determined by the analysis and opinion of the TIF consultant and is not contingent upon any analysis criteria requirement of the Act.

The existence of each eligibility factor was assessed through six tests: an exterior survey of all structures; an analysis of land use relationships; an area-wide infrastructure conditions analysis; compliance of structure use and condition with relevant codes; a site coverage analysis; and a review of previously prepared plans. Certainly, such a comprehensive area survey would uncover the existence of each eligibility factor, but whether they are present to “a meaningful extent” would be open to dispute. For example, the existence of those structures below minimum code standards was only present to a limited extent on four blocks. Another example was excessive vacancies. Excessive vacancies were recorded by noting the presence of nine totally vacant and fifteen partially vacant buildings. However, only one block in the added area had excessive vacancies to a significant extent. Finally, depreciation of physical maintenance was recorded only to a limited extent for a scattering of buildings throughout the area. This factor was not present to a meaningful extent, either by being concentrated on a particular block or posing a significant problem by affecting several buildings in the area.<sup>14</sup>

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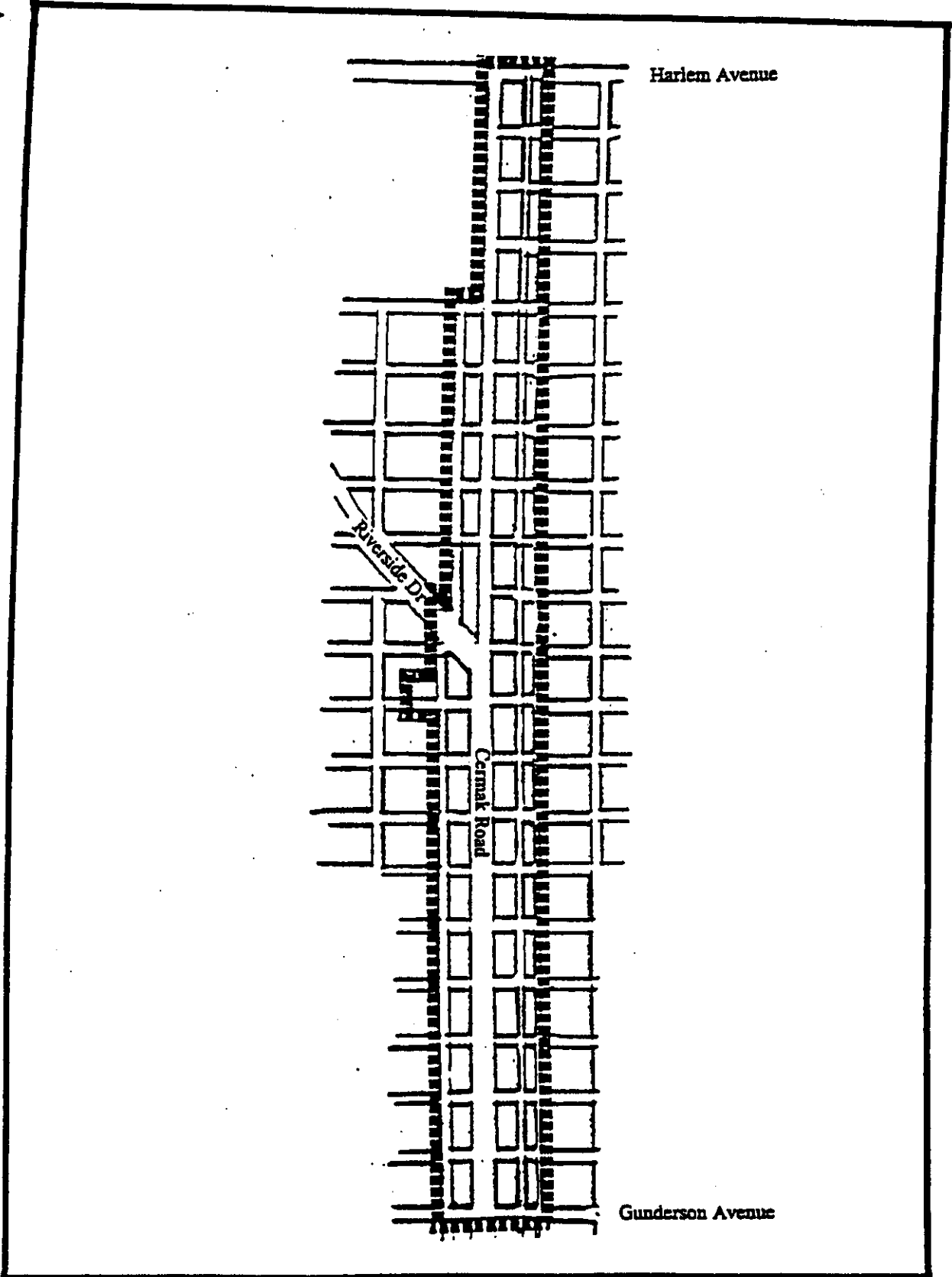
<sup>12</sup>*Ibid.*, pp. 13-15.

<sup>13</sup>*Ibid.*

<sup>14</sup>*Ibid.*

Amended Berwyn Theater Redevelopment Area

Map 2: Expanded Berwyn Theater Redevelopment Project Area Boundaries



If we remove the three eligibility factors recorded as present to a limited extent, only five factors besides age are present to any meaningful extent; only two of these five factors are present to a major extent on more than six blocks (deterioration was recorded on seven blocks and excessive land coverage on nine blocks).

The Amended Berwyn Theater TIF Redevelopment Project and Plan also noted that the expanded area's EAV increased only 2% between 1990 and 1994. This increase lagged behind the EAV growth for the City as a whole between 1990 and 1994.<sup>15</sup> The existence of the listed eligibility factors and the lagging growth in property values over a four-year time period served as the primary rationale for the expansion of the TIF district boundaries. By addressing the redevelopment needs of this increased area, the City was including a large part of the Cermak Road commercial corridor within the TIF district. The City took the position that this was a logical extension to achieve area wide redevelopment that would be more successful and comprehensive in scope than the original area.

The amended TIF boundaries met resistance from the three school districts overlying the expanded Redevelopment Project Area. Between 1987 and 1995, Berwyn experienced an unexpected surge in elementary school student population. This student population growth strained the capacities of the one available elementary school facility.<sup>16</sup> The elementary school capacity problem was aggravated by an earlier decision to close and sell one of the available school buildings in Berwyn because of declining student enrollment. The school district intended to address the serious capacity problem engendered by the unexpected surge in school age children with construction of a new school building. Nevertheless, the City pushed through the amendment to the original 1987 Redevelopment Project Area. It is anticipated that the increased EAV will have a beneficial and stimulating effect for all taxing bodies, including the schools. However, what impact the lost revenue has on the school districts during the life of the TIF district remains to be seen.

With the exception of the schools, no recorded opposition to the TIF district and its amended boundaries was raised within Berwyn. Perhaps organized resistance could come from the Joint Review Board (JRB), but according to information provided by the City, the JRB appears to be an ineffective organization with minimal input.<sup>17</sup>

### *EAV Trends*

The Berwyn Theater Redevelopment Project Area has experienced the development of four new projects, including a bank and a medical center. The bank was built on the site of the Berwyn Theater, which was destroyed by fire early in the life of the TIF district.

Based upon information provided by TPAP dated November 6, 1996, the total 1995 EAV for the original Berwyn Theater Redevelopment Project Area was \$9,104,307. This figure represents an increase of 55% in total EAV growth for the Redevelopment Project Area between 1988 and

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<sup>15</sup>Ibid., p. 33.

<sup>16</sup>Interviews with Village official(s) conducted on November 7, 1996.

<sup>17</sup>Response to questionnaire directed to Village Manager, Attorney, and TIF Consultant.

1995. The following figure illustrates the growth in EAV in the unamended Berwyn Theater Redevelopment Project Area between 1988 and 1995—similar data is not yet available for the amended boundaries.

FIGURE 4-6

**EAV TRENDS FOR THE BERWYN THEATER  
REDEVELOPMENT PROJECT AREA: 1988-1995**

<b>YEAR</b>	<b>Real EAV Year to Year</b>	<b>\$ Change EAV Year to Year</b>	<b>% Change EAV Year to Year</b>
1988	\$ 5,856,331		
1989	\$ 6,238,775	\$ 382,444	6.5%
1990	\$ 7,545,346	\$ 1,306,571	20.9%
1991	\$ 7,383,516	\$ (161,830)	-2.1%
1992	\$ 8,021,753	\$ 638,237	8.6%
1993	\$ 9,274,365	\$ 1,252,612	15.6%
1994	\$ 9,041,647	\$ (232,718)	-2.5%
1995	\$ 9,104,307	\$ 62,660	0.7%

The overall growth in EAV was 55% between 1988 and 1995 within the original boundaries of the Berwyn Theater Redevelopment Project Area, but growth has been uneven, and in two interval periods, it actually declined slightly (1990-91 and 1993-94). It is possible that the declines could be attributed to demolition of vacant and blighted structures, including the Berwyn Theater building. 1990 and 1993 were Triennial Assessment years, and the modest increases exhibited in those years may be attributed to the reassessments. In the 1989-1990 interval, the Cook County Equalization Factor rose from 1.9133 to 1.9946, and in the 1992-1993 interval the Equalization Factor rose from 2.0897 to 2.1407. Overall, the Equalization Factor rose from 1.9266 in 1988 to 2.1243 in 1995.

FIGURE 4-7

## COMPOSITE EAV TRENDS: 1988-1995

<b>Composite Trends and TIF District vs. City-Wide Comparisons</b>	
Initial Base EAV	\$5,856,331
1995 Base EAV	\$5,856,331
TIF % Change: 1995 Over Base	55.5%
% Increase in Community EAV from Base Year to 1995	45.4%
Compound Annual Growth Rate in TIF District EAV	6.5%
Compound Annual Growth Rate in Community EAV	5.5%

\*Source: Trkla, Pettigrew, Allen & Payne & The Berwyn Development Corporation, November 6, 1996

As Figure 4-7 shows, the compound annual growth rate (CAGR) over the life of the TIF district has been 6.5%, which exceeds the CAGR for the rest of the City over the same period of time by 1.0%. While the TIF district did outperform the citywide compound annual growth rate in EAV, the difference was too small to suggest that the TIF district provided anything more than a minor stimulating effect. The minor increase in EAV may also be attributed to lagging property values in the City. Evidence of lagging property values within Berwyn is supported by the 1990 Census, in which the average value of housing in Berwyn was recorded at \$92,833, as compared to \$126,895 for Cook County as a whole; that is, Berwyn's housing values were 73% of housing values for Cook County as a whole.

Other factors may have contributed to the minimal growth in EAV within the TIF district. The redevelopment of the Berwyn Theater was to have been a major component of the City's redevelopment strategy for the district; however, the theater building was destroyed by a fire. The loss of the structure was an unexpected event that apparently hampered the City's redevelopment objectives and schedule, and it may have affected actual EAV through time. In fact, the real EAV of \$7,545,346 in 1990 was \$221,654 less than the low end projected EAV for the Redevelopment Project Area of \$7,767,000, and \$791,654 less than the high end projection of EAV \$8,337,000. However, the real EAV value as of 1995 of \$9,104,307 exceeded the high projected EAV for the district of \$8,905,000.

The 1995 EAV increase is attributable to four new structures built within the original TIF district since 1988, including medical offices and a new bank building. No TIF funds were used to assist the developers of these four projects. TIF funds have been used to complete Berwyn's streetscape program and parking enhancement initiative. Other TIF funds have been used to finance the Cermak Road Facade Rehab Program and associated administrative expenses for the Berwyn Development Corporation (BDC). Sixteen businesses have taken advantage of the facade rehab program, and the BDC maintains a full-time staff of two people. The City had

expected higher participation in the Facade Rehab Program, but high staff turnover at the BDC has hampered the full implementation and marketing of the program.<sup>18</sup>

The City of Berwyn's average share of the redevelopment project costs over the life of the TIF district through 1993 was 13%, with the remainder being the resultant incremental taxes of the overlying districts.<sup>19</sup>

### *Economic Development Results*

Berwyn's TIF program for the Cermak Road commercial corridor is designed to address deteriorating conditions and to preserve and strengthen the business base along the street. The program appears to be creating an enhanced business environment through streetscaping, parking improvements, and commercial facade enhancements. Since the TIF district was created, four new commercial structures have been built within the district, including a LaSalle Bank branch on the former Berwyn Theater site. The new construction has helped solidify the business district and diversify the business base in this area. Local officials believe that the area-wide improvements helped facilitate the development of the four projects built since the TIF district's inception. None of the businesses directly received TIF funds to locate there, though TIF may have offered indirect inducements through streetscaping, parking amenities, and TIF-financed land clearance.

The full potential of the facade enhancement program is unrealized because of staff turnover at the Berwyn Development Corporation (BDC) over the past five years. However, the City is attempting to stabilize staffing at the BDC, and the program is fully systematized with guidelines and procedures. Furthermore, the participation of sixteen businesses in the facade enhancement program seems to demonstrate that there is local interest in the program that can be further cultivated through stable administration and active promotion. Both activities are administered by the BDC.

It is still too early in the life of the original Berwyn Theater Redevelopment TIF to make any final comments on whether the TIF district has performed entirely as anticipated and planned. However, there are signs that the TIF district has generated interest in the Cermak Road commercial corridor, which may ultimately serve to stabilize and preserve this important commercial corridor within the City of Berwyn.

## **FRANKLIN PARK REDEVELOPMENT PROJECT AREA #3**

### *Why Was TIF Selected?*

In 1987, the lumber yard located within the southwest quadrant of the Waveland and Mannheim intersection was partially destroyed by fire. The area is relatively isolated from the rest of the community, bounded to the immediate north by O'Hare International Airport and hemmed-in on

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<sup>18</sup>Response to questionnaire directed to Village Manager, Attorney, and TIF Consultant.

<sup>19</sup>Data Source: Professor Richard Dye. Data on applicable taxing district levies was only available through 1993.

the east by the Tri-State Tollway (see Map 3: Waveland-Mannheim TIF Redevelopment Project Area). Park Place Parking approached the community in 1988 regarding development of this site as a remote parking facility to service travelers departing from and returning to O'Hare.

After considering future use of the site, the Village elected to pursue tax increment financing to facilitate the Park Place development.

### *Planning Context*

With the exception of the TIF Redevelopment Project and Plan process, no formal Village-wide planning process or market study analysis was conducted in support of this project. It is likely that Park Place conducted a market study for their facility, but such documents were not made available for our review. Nevertheless, the Park Place redevelopment proposal did coincide with the Village's Master Plan, which designated the area as industrial. Parking service facilities are in conformance with such a designation.

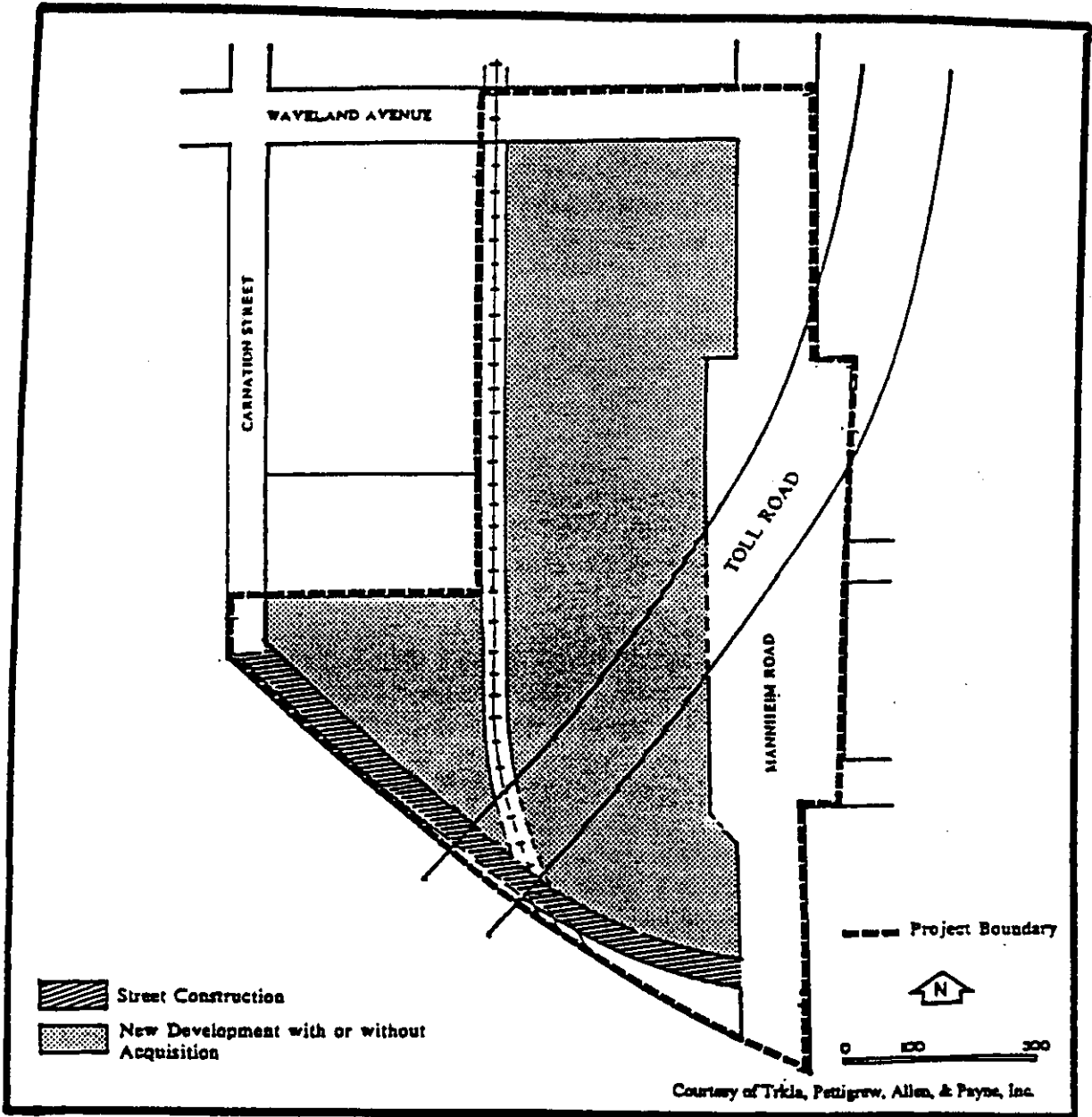
The Village employed the services of Trkla, Pettigrew, Allen & Payne (TPAP) to conduct the eligibility survey and write the Redevelopment Project and Plan. TPAP analyzed area conditions according to "blighted area" TIF standards. According to the findings within the Eligibility Report, the following "blighted area" eligibility factors were present:

- Age;
- Dilapidation;
- Obsolescence;
- Deterioration;
- Structures below minimum code standards;
- Excessive vacancies;
- Excessive land coverage;
- Deleterious land use or layout;
- Depreciation of physical maintenance; and
- Lack of community planning.<sup>20</sup>

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<sup>20</sup>*Mannheim-Waveland Area Tax Increment Redevelopment Project and Plan*. Trkla, Pettigrew, Allen & Payne. (March, 1989), p. 11.

Map 3: Waveland-Mannheim TIF Redevelopment Project Area



Redevelopment Project Area #3



TPAP conducted an area-wide survey that included condition surveys of buildings and infrastructure, land-use analysis, comparisons of existing structural conditions and land-use with appropriate Village codes, analysis of the existing plat of land and vacant sites, and a review of all previously prepared plans and area analysis documents.

According to TPAP's eligibility analysis, all of the buildings were 35 years of age or older. Though this is a "blighted area" TIF district, "age" is an available factor to prove area eligibility as a TIF district—without the necessity that 50% or more of the buildings having to be 35 years of age or older as required in "conservation area districts." Obsolescence was present in five of the eight area buildings, and determination of this factor was based upon these structures' single purpose use. In terms of those eligibility factors generally pertaining to structural and infrastructure conditions, dilapidation, deterioration, structures below code and depreciation of physical maintenance were noted as existing to a major extent throughout the area. Each building in the study area exhibited all or some of these conditions. Furthermore, area infrastructure also exhibited deterioration and depreciation of physical maintenance. The area suffered from excessive vacancies, which were present to a major extent throughout it. Vacancies were noted in terms of both vacant structures and vacant or underutilized land. Area land configurations were aggravated by existing structures that cover their entire lots, and by deleterious land-use relationships among existing structures. Finally, TPAP noted that the area had not benefited from community planning objectives, as evidenced by the incomplete roadways found in the area.<sup>21</sup>

The Waveland-Mannheim Redevelopment Project Area is the most compact of the five districts surveyed for this report. The total site does not exceed 18 acres of land. Furthermore, as explained above, the site is isolated from the rest of the community by substantial physical barriers. Prior to Park Place's proposal, the area accommodated a lumber yard and a mix of randomly situated uses, including at least one private residence. In such a compact area, detached from a larger community context, it is not unusual for several "blighting" conditions to exist. Countervailing forces which may affect the balance of the community are often not enough to exert positive influences on such isolated tracts of land. Also, such areas are quite susceptible to the effects of the surrounding land-uses that isolate these areas from the rest of the community (i.e., O'Hare International Airport and the Tri-State Tollway).

Therefore, it is not unusual for compact and isolated areas to exhibit several of the various features indicating blight. Illinois' TIF law provides for 14 vaguely worded eligibility factors, some of which intersect in their respective meanings on the basis of their dictionary definitions and common usage. Another problem with these eligibility factors is that their usage may be interchangeable to describe certain concepts (e.g., dilapidation and deterioration).

The Redevelopment Project and Plan addressed the Park Place proposal in regard to proposed future use. The general land-use plan within the Redevelopment Project and Plan specifically listed "restricted industrial" as the desired type of development and included in this classification were land-uses in accord with automobile parking facilities.<sup>22</sup>

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<sup>21</sup>Ibid., pp. 10-11.

<sup>22</sup>Ibid., p. 15.

Specific redevelopment activities included assemblage of sites within the Redevelopment Project Area by the Village, and installation of public improvements and facilities, including:

- Adjustments and modifications to sewer and water lines;
- The vacation or closing, removal, resurfacing, widening, reconstruction, and other improvements of area streets or public right-of-ways; and
- Appropriate landscape and streetscape improvements that would adequately service the area redevelopment.

Finally, the Village reserved the opportunity to acquire sites within the Redevelopment Project Area either through long-term lease or outright purchase, and also reserved the ability to convey acquired sites to a private developer to achieve the redevelopment objectives.<sup>23</sup>

The breakdown of the Waveland-Mannheim TIF district redevelopment project costs were itemized as follows:

**Figure 4-8**

**FRANKLIN PARK REDEVELOPMENT  
PROJECT AREA #3 BUDGET**

<b>ACTIVITY</b>	<b>AMOUNT</b>
Property Acquisitions	\$ 2,900,000
Public Improvements & Area Beautification	\$ 325,000
Redevelopment Project Contingencies	\$ 300,000
Administration, Professional, and Bond Issuance Costs	\$ 135,000
<b>TOTAL</b>	<b>\$ 3,660,000</b>

Reflecting the diversity of ownership in the area, which included six separate entities (including the Village), income for property acquisition accounted for the greatest share of proposed TIF costs at 79%. Physical area improvements accounted for 9%, and project contingencies accounted for 8%. Administration, professional and bond issuance fees accounted for 4%.

When the Redevelopment Project and Plan was completed, TPAP estimated that area EAV would be between \$2.4 million and \$2.7 million by 1991, when all area redevelopment activity would be completed and fully assessed. The Cook County Equalization factor was 1.8916, (the 1995 Equalization Factor was 2.1243), and the base EAV for the district at the time of the report was \$1,010,545.<sup>24</sup>

<sup>23</sup>Ibid., pp. 14-15.

<sup>24</sup>Ibid., p. 21.

*Public Comment and Intergovernmental Review*

Based upon available documentation, there appeared to be little or no public comment on the proposed TIF district. Furthermore, at least in regard to the Waveland-Mannheim TIF, the Joint Review Board (JRB) within Franklin Park appears to be nonexistent or relatively ineffective.

Perhaps this JRB inactivity and muted public input is related to the relative obscurity of the site. Furthermore, the comparatively small size of the site may condition the seeming lack of interest in the Waveland-Mannheim TIF.

*TIF Amendments*

The Waveland-Mannheim TIF district has not been subject to any amendments.

*EAV Trends*

Unlike other TIF districts surveyed for this study, the Waveland-Mannheim TIF district was project-specific and the development proposal for remote surface and structure parking was well situated in its close proximity to O'Hare.

The Village and Park Place Parking entered into a development agreement on August 31, 1989. According to the agreement, the Village would acquire all parcels within the Redevelopment Project Area and convey these parcels to Park Place. Included in this land conveyance was a parcel under the Tri-State Tollway right-of-way which was then and is still owned by the Illinois Toll Highway Authority (ITHA).

According to Village officials, this parcel was an important part of the development objective. Park Place wanted to use the space for surface area parking, but the ITHA was concerned about potential liability and refused to convey the property to the Village.<sup>25</sup>

Nevertheless, Park Place proceeded to construct both surface and structure parking spaces on the available sites. The Village supported the development of the Park Place facility with right-of-way improvements to enhance site access and egress. The Village addressed water drainage problems at the site by constructing water retention and drainage improvements.<sup>26</sup> The Village also demolished some of the existing structures and performed code rehabilitation repairs on the remaining structures within the Redevelopment Project Area.

The following figure illustrates the growth in EAV of the Waveland-Mannheim Redevelopment Project Area between 1989 and 1995.

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<sup>25</sup>Interviews with Village official(s) conducted on January 8, 1997.

<sup>26</sup>Ibid.

**Figure 4-9**

**EAV GROWTH AND DECLINE:  
FRANKLIN PARK REDEVELOPMENT  
PROJECT AREA #3: 1989-1995**

<b>YEAR</b>	<b>Real EAV Year to Year</b>	<b>\$ Change EAV Year to Year</b>	<b>% Change EAV Year to Year</b>
1989	\$1,036,818		
1990	\$1,036,818		
1991	\$1,036,818		
1992	\$1,548,100	\$ 511,282	49.3%
1993	\$2,107,766	\$ 559,666	36.1%
1994	\$3,097,843	\$ 990,077	46.9%
1995	\$4,140,899	\$ 1,043,056	33.7%

Overall growth in EAV was 299% within the boundaries of the Waveland-Mannheim Redevelopment Project Area. The TIF district has experienced steady growth in EAV since the development of the Park Place Parking Systems facility on the site. Building code repairs may also have contributed to the growth in EAV. Between 1989 and 1995, the Cook County Equalization Factor increased from 1.9133 to 2.1243. The combined effect of the increase in the County Equalization Factor and sustained development contributed to the steady increase in EAV over the life of the TIF district.

**Figure 4-10**

**COMPOSITE EAV TRENDS:  
1988-1995**

<b>Composite Trends and TIF District vs. Community-Wide Comparisons</b>	
Initial Base EAV	\$1,036,818
1995 Base EAV	\$1,036,818
TIF % Change: 1995 Over Base	299.39%
% Increase in Community EAV from Base Year to 1995	28.27%
Compound Annual Growth Rate in TIF District EAV	41.4%
Compound Annual Growth Rate in Community EAV	6.4%

The strong increase in EAV is further evidenced by the compound annual growth rate in EAV for the district, which has increased 41.37% over the life of the TIF district. The focused development activity within the district has also contributed to the compound annual growth rate in EAV, exceeding the Village's overall compound annual growth rate in EAV by 34.95%.

Delays in the start of construction on the project altered the timing of the anticipated EAV at the completion of the Park Place project. However, by 1994, the area EAV exceeded the high end projected EAV of \$2.7 million by \$397,843, as illustrated in Figure 4-6 above. Park Place's development significantly improved the area, and the code rehabilitation and right-of-way improvements dramatically addressed the more pressing problems in the area. Furthermore, Village officials indicated that the \$2.4 million in TIF obligations issued for the area would be retired by 2002.<sup>27</sup> This date is 10 years earlier than projected.<sup>28</sup>

Through 1993, the Village of Franklin Park's average contribution to the redevelopment project costs has been 18.5%.<sup>29</sup>

### *Economic Development Results*

The Village of Franklin Park used TIF to redevelop a very compact and isolated site in response to a development proposal. On this account, the TIF district has achieved exactly what the Village had hoped for. The developer's commitment to the project was crucial to the TIF district's success. Had the developer pulled out after IHTA refused to convey a particular parcel, the Village probably would have had its redevelopment schedule and budget altered. The original Park Place Parking Limited Partnership group which had developed the site dissolved about two years ago. However, the partnership sold the entire project to a national parking systems company that specializes in airport parking services.

Franklin Park's use of TIF is a good example of development specific project facilitation that the program affords. Franklin Park's proximity to O'Hare enabled it to take advantage of a specific developer's interest in the site and to finance area-wide improvements that would support the developer's objectives. At the same time, the Village was able to address a "problem" area and generate new tax revenue from an area that had limited redevelopment potential.

## **HOMWOOD CENTRAL BUSINESS DISTRICT REDEVELOPMENT AREA**

### *Why Was TIF Selected?*

In 1977, the Village of Homewood began the process of creating a TIF district encompassing their main retail and commercial district. Many of the buildings in the proposed district exceeded 80 years of age at the time the original TIF district was approved in 1978. The original district was composed of six blocks whose boundaries were formed by Ridge Road on the north, Dixie Highway on the east, Harwood Avenue on the west, and the alley between Hickory and Olive Roads on the south (see Map 4: Original Homewood Redevelopment Project Area Boundaries). The Redevelopment Project Area was characterized by deteriorating infrastructure and

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<sup>27</sup> Ibid.

<sup>28</sup> *Mannheim-Waveland Area Tax Increment Redevelopment Project and Plan*. Trkla, Pettigrew, Allen & Payne. (March, 1989), p. 21.

<sup>29</sup> Data Source: Professor Richard Dye. Data on applicable taxing district levies was only available through 1993.

commercial property, remote and limited areas of surface parking, and minimal public amenities that detracted from the area's pedestrian friendliness.<sup>30</sup> The Village became concerned with the competitive position of this traditional downtown area vis-à-vis newer shopping centers being built within Homewood and in surrounding communities.

### *Planning Context*

As a first step, the Village applied for and received \$425,000 in Community Development Block Grant income for land acquisition and clearance purposes. The Village then reviewed the Illinois TIF law and employed the services of Trkla, Pettigrew, Allen & Payne (TPAP) to conduct the eligibility survey and study.<sup>31</sup> TPAP concluded that the proposed Redevelopment Project Area would meet the eligibility criteria as both a conservation and blighted area TIF district. For conservation area status, the following factors were identified:

- Age;
- Dilapidation;
- Obsolescence;
- Deterioration;
- Illegal use;
- Minimum code standards;
- Excessive vacancies;
- Overcrowding of structures and community facilities;
- Lack of ventilation, light, or sanitary facilities;
- Excessive land coverage;
- Deleterious land-use;
- Depreciation of physical maintenance; and
- Lack of community planning.

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<sup>30</sup>Interviews with Village officials(s) conducted on November 27, 1996.

<sup>31</sup>Minutes from public meeting held on August 22, 1978, pp. 4-5.

For blighted area status, the following factors were documented:

- Age;
- Dilapidation;
- Obsolescence;
- Deterioration;
- Illegal use of individual structures;
- Presence of structures below minimum code standards;
- Deleterious land use;
- Depreciation of physical maintenance; and
- Lack of community planning.<sup>32</sup>

The objectives of the Redevelopment Project and Plan were aimed at repositioning Homewood’s main commercial district, not only as a primary destination point within the community, but also on a sub-regional basis in the southern section of Cook County. Accordingly, the Redevelopment Project and Plan objectives included the removal of blighted structures; the redevelopment of cleared land with new commercial development and subsidized and private market apartments; the designation of public space; the creation of linear parking adjacent to the commercial districts; and the implementation of landscape design to create a common identity for the district.<sup>33</sup> The Redevelopment Project and Plan specifically called for the development of 100 units of subsidized elderly housing, but this initiative was dropped in 1983 and replaced with the general goal of new condominium housing.<sup>34</sup>

As originally calculated, the base 1976 EAV for the Redevelopment Project and Plan was \$875,365. The line item budget for the redevelopment project was constructed as follows:

Figure 4-11

**HOMEWOOD CBD REDEVELOPMENT AREA BUDGET**

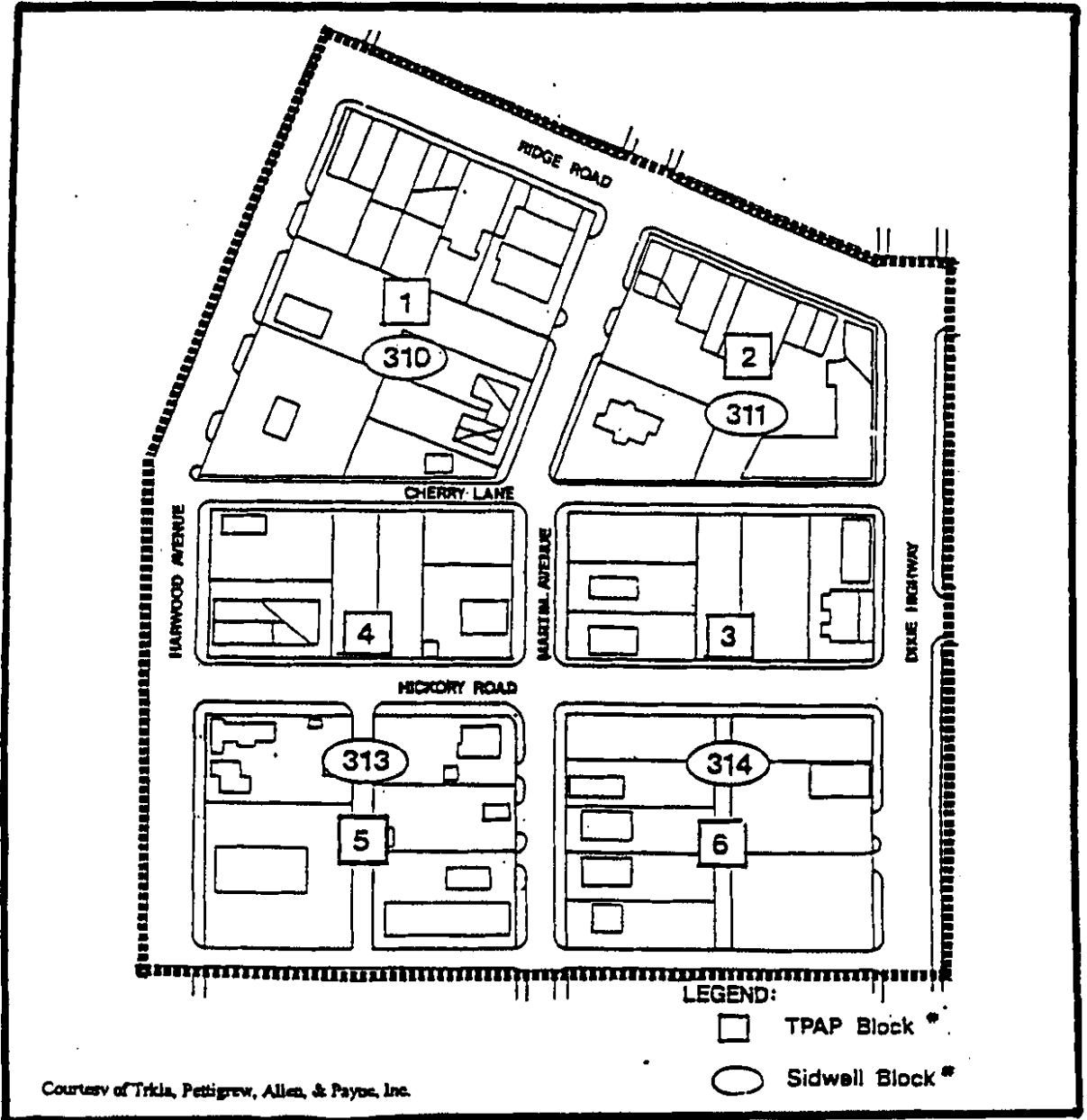
<b>ACTIVITY</b>	<b>AMOUNT</b>
Land Acquisition and Construction Costs	\$ 560,000
New and Resurfaced Parking	\$ 200,000
Commercial Rehabilitation	\$ 200,000
Construction of Senior Housing	\$ 2,975,000
Supportive Retail	\$ 150,000
Legal and Bond Costs	\$ 125,000
<b>TOTAL</b>	<b>\$ 4,210,000</b>

<sup>32</sup>*Homewood Business District Redevelopment Study Area Eligibility Report*. Trkla, Pettigrew, Allen & Payne, (April, 1978), pp. 22-25.

<sup>33</sup>*Homewood Redevelopment Plan*, Fitch/LaRocca Associates. (July 7, 1978). pp. III-1 - III-2.

<sup>34</sup>Minutes from public meeting held on March 8, 1983, attachment 1: First Amendment to the Redevelopment Plan.

Map 4: Original Homewood Redevelopment Project Area



Central Business District Redevelopment Area



Of the \$4.21 million originally scheduled, 97% was associated with the physical redevelopment objectives outlined in the Redevelopment Project and Plan. The remaining 3% was scheduled for administrative and professional services fees.

### *Public Comment and Intergovernmental Review*

Governmental units represented at the public hearing where the Redevelopment Project and Plan was presented did not voice objection to the TIF program. Residents, property owners and trustees generally supported the TIF program, but voiced minor concerns over parking regulations, preservation of historically significant structures, plan flexibility, and control over the senior housing project, which originally was to be financed through a local housing authority, built by a local non-profit, and leased for the life of the TIF district to a limited partnership.

Several comments concerned the constitutionality of the TIF law and any potential property tax increases for properties within the proposed TIF district. When Homewood's TIF Redevelopment Project and Plan was drafted, the Illinois TIF law was one year old and had not yet been widely used by other Illinois communities. After reviewing TIF laws from around the country, the Village Attorney indicated that no state had stricken the law on constitutional grounds. In regard to tax increases, the Village officials and consultants explained that tax increases would only occur on parcels subject to redevelopment or substantial improvements; mere location within the district would not subject a property to heavier tax burdens.<sup>35</sup>

Village officials generally supported the input and involvement in TIF district matters by the overlapping taxing bodies. According to these officials, the involvement by the other jurisdictions has insured that all interested parties are in agreement on achieving mutually beneficial objectives. For the Village, the benefits include greater revenues, employment opportunities, and activity in the central business district; for the overlapping jurisdictions, the agreement means greater tax revenues in time. However, the Village did indicate that involvement by overlying jurisdictions should not be greater than it currently is, because the objectives and interests of the overlying jurisdictions are narrower than those of the Village Administration.<sup>36</sup>

Conversations with officials from some of the overlapping taxing bodies (including the school districts and park district) generally echoed the opinions and themes expressed by Village officials. When Homewood first pursued TIF, the law was new and its effects were unknown; consequently, participation by overlying jurisdictions was limited. As the TIF matured, the overlying jurisdictions began to assert their oversight responsibilities. None of the overlying jurisdictions that expressed interest in the Homewood TIF directly opposed the process or concept. In fact, each overlying jurisdiction interviewed stated that the TIF addressed problems that existed in the Homewood Central Business District and helped revitalize the area.

However, the overlying jurisdictions—which chose to organize into a Joint Review Board (JRB)—have occasionally asserted their opposition to various activities that the Village wanted to initiate. For instance, at one point, the Village wanted to use TIF funds to redevelop the Village

<sup>35</sup>Minutes from public meeting held on August 22, 1978, pp. 7-9.

<sup>36</sup>Interview with Village official(s) conducted on November 11, 1996.

Hall. The JRB strongly opposed these plans, which would have required insertion as an amendment to the original Redevelopment Project and Plan. Consequently, the plans were dropped. On another occasion, the Village appropriated TIF district funds for Village operations. The JRB again pointed out its opposition, and the Village promptly halted the activities.<sup>37</sup>

Interestingly, the officials from the overlying jurisdictions seemed to indicate that vesting more power with the JRB may not be a good idea. Their concern regarding the relative strength of the JRB centered not so much on their interests versus the Village's interests, but rather on their mutual interests.<sup>38</sup> Officials interviewed for this report suggested that if the JRB were given significantly more oversight power, the varying interests would clash, resulting in a failure to accomplish any redevelopment, including that which was mutually beneficial.<sup>39</sup>

The overlying jurisdictions generally felt that they enjoyed an amicable relationship with the Village administration regarding the TIF district. However, they also suspected that without their efforts toward understanding and monitoring the TIF district, the Village would not have come forward with information as much as it has.<sup>40</sup>

#### *TIF Amendments*

Since the adoption of the original TIF district, the boundaries have been expanded on two separate occasions, first in 1991 and then in 1996. The 1991 TIF district boundary expansion split the Redevelopment Project Area into six parts and encompassed 26.6 blocks, three full and four partial blocks (see Map 5: First Downtown Homewood TIF Redevelopment Project Area Boundary Expansion). The expanded boundaries were delineated as follows:

1. Northwest section bounded by Ridge Road on the north, Harwood Avenue on the west, Martin Avenue on the east and Cherry Lane on the south;
2. Northeast section bounded by Ridge Road on the north, Martin Avenue on the west, Dixie Highway on the east and Cherry Lane on the south;
3. Southwest section bounded by Cherry Lane on the north, Harwood Avenue on the west, Martin Avenue on the east and an alley south of Hickory Road;
4. Southeast section bounded by Cherry Lane on the north, Martin Avenue on the west, Dixie Highway on the east and an alley south of Hickory Road;
5. West section bounded by Dixie Highway on the north, Harwood Avenue on the west, Dixie Highway on the east and Ridge Road on the south; and

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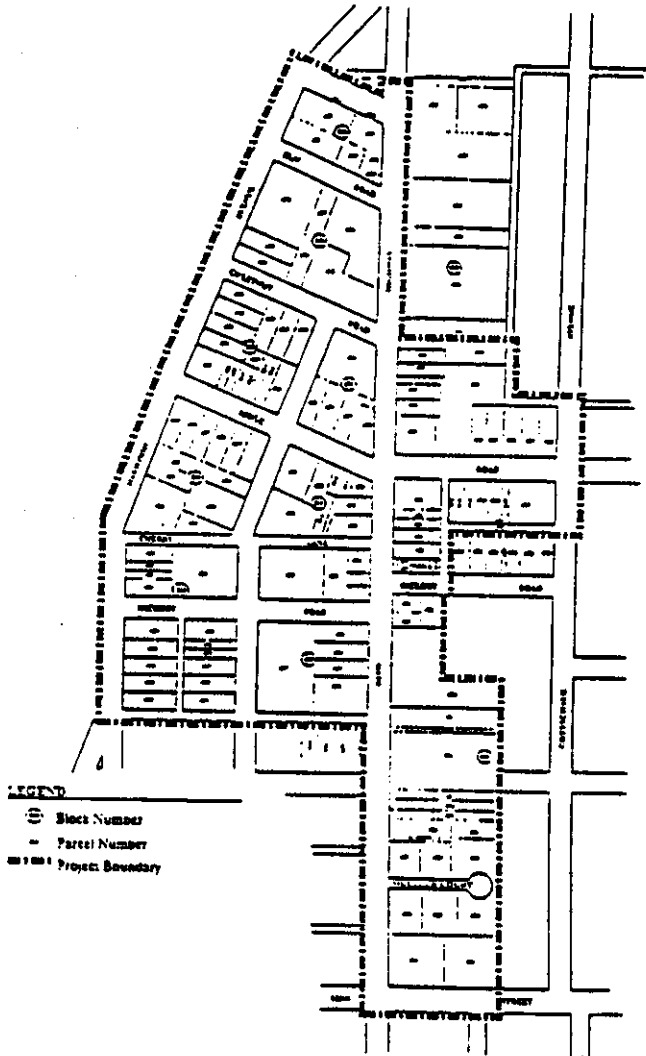
<sup>37</sup>Ibid.

<sup>38</sup>Interview with official(s) from overlying jurisdictions conducted on November 11, 1996.

<sup>39</sup>Ibid.

<sup>40</sup>Ibid.

Map 5: First Downtown Homewood TIF Redevelopment Project Area  
Boundary Expansion



Prepared by:  
Trkla, Pettigraw, Allan & Payne, Inc.

6. East section bounded on the north by Dixie Highway extended and on the west by Dixie Highway, on the east by an irregular demarcation line the easternmost location of which is Gottschalk Avenue and on the south by 183rd Street.

Unlike the original 1978 TIF district, the 1991 amended area was assessed on a "conservation area" basis. The eligibility factors evident within the 1991 amended boundaries were:

- Age;
- Obsolescence;  
Deterioration;
- Existence of structures below minimum code;
- Excessive vacancies;
- Excessive land coverage;
- Deleterious land use or layout;
- Depreciation of physical maintenance; and
- Lack of community planning.<sup>41</sup>

Each of these factors except "existence of structures below minimum code" was identified in the original TIF district Eligibility Report. TPAP surveyed the expanded boundaries and noted that of the fourteen statutorily prescribed eligibility factors, the eight factors listed above were present to a meaningful extent in the area. At least one or more of the documented factors were identified on all of the blocks within the expanded area. TPAP also noted that 38 of the 55 buildings (69.1%) were beyond 35 years of age, easily meeting the 50% threshold found within the TIF district Act under "conservation area" status.<sup>42</sup> As a final basis for assigning "conservation area" status to the 1991 expanded boundaries, TPAP noted that the area had not benefited from new private investment.

TPAP did not substantiate the lack of private investment in the area through any statistical analysis. Instead, TPAP relied upon the noted eligibility factors to demonstrate it.

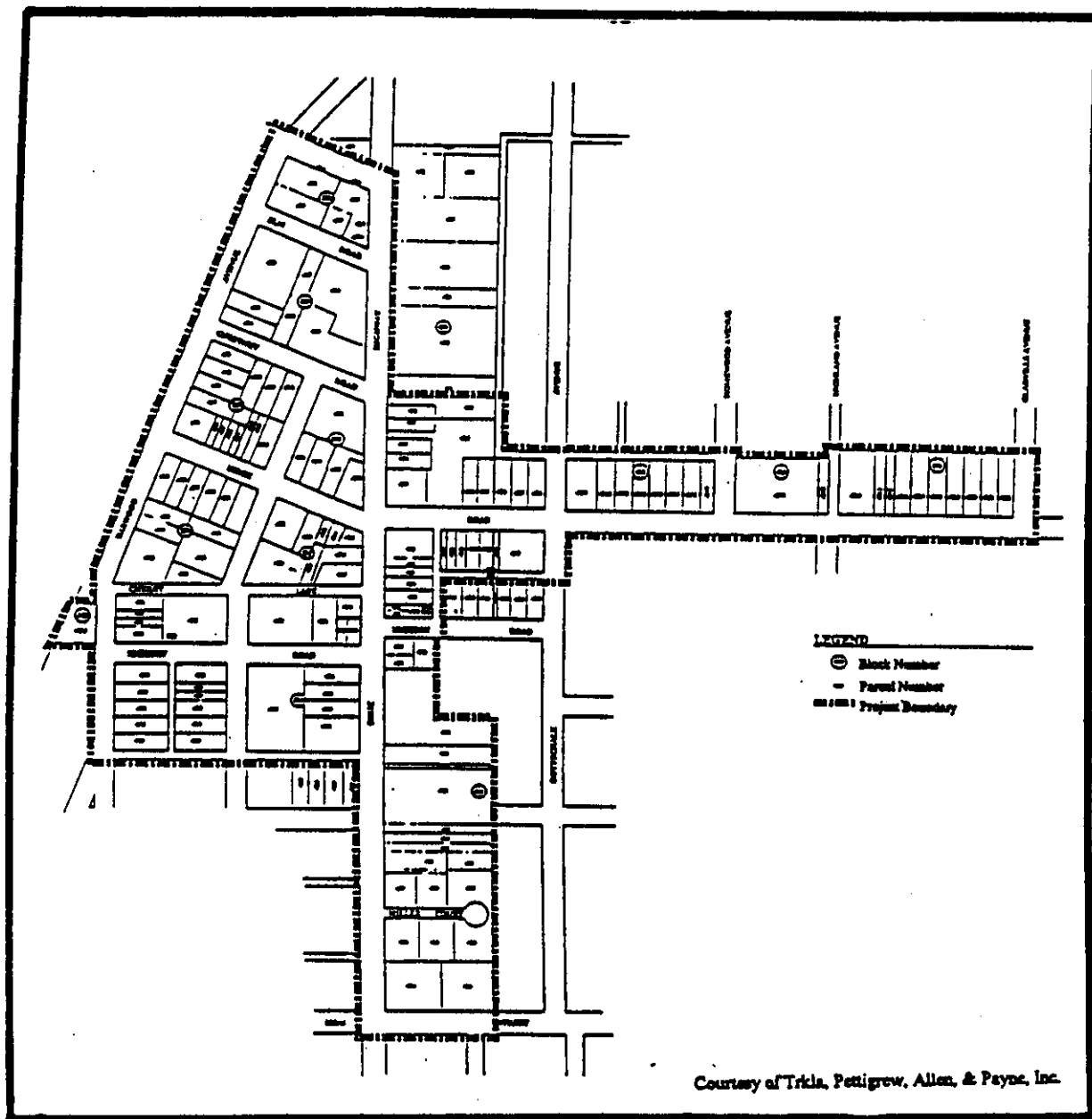
The 1996 boundary expansion increased the size of the eastern and western sections of the 1991 expansion (see Map 6: Second Downtown Homewood TIF Redevelopment Project Area Boundary Expansion). The east section is now defined by Ridge Road on the south, by Gottschalk Avenue on the west, by Gladville Avenue on the east, and by an irregular northern border starting at an alley behind Ridge Road between Gottschalk and Highland Avenues and extending along the north property line of the properties fronting Ridge Road between Highland and Gladville Avenues. The western section increased in size through the addition of a single parcel located at 18120 Harwood Avenue.

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<sup>41</sup>*Amended Downtown Homewood Tax Increment Financing Redevelopment Project Area: Eligibility Report*, Trkla, Pettigrew, Allen & Payne, (February, 1991), p. 5.

<sup>42</sup>*Amended Downtown Homewood Tax Increment Financing Redevelopment Project Area: Eligibility Report*, Trkla, Pettigrew, Allen & Payne, (February, 1991), p. 3.

Map 6: Second Downtown Homewood TIF Redevelopment Project Area  
Boundary Expansion



Amended Central Business District Redevelopment Area

This second amendment was initiated as a result of vacancies that occurred between 1991 and 1995. The potential blighting influences of vacating three prominent structures threatened any progress that had been made since 1978. According to the "Amended Downtown Homewood Tax Increment Financing Redevelopment Project and Plan," these areas had not benefited from the redevelopment activities occurring in the TIF district.<sup>43</sup> The area was assessed on a "conservation area" basis, and the same eligibility factors found within the 1991 amended area were recorded.<sup>44</sup>

The cost breakdowns for the first and second amendments were as follows:

Figure 4-12

**FIRST HOMEWOOD AMENDMENT BUDGET**

<b>ACTIVITY</b>	<b>AMOUNT</b>
Streetscape Improvements	\$ 1,800,000
Facade Improvements	\$ 700,000
<b>TOTAL</b>	<b>\$ 2,500,000</b>

Figure 4-13

**SECOND HOMEWOOD AMENDMENT BUDGET**

<b>ACTIVITY</b>	<b>AMOUNT</b>
Study Costs and Administration	\$ 1,947,000
Property Assembly Costs	\$ 3,529,000
Streetscape and Infrastructure Costs	\$ 1,227,000
Facade and Rehabilitation Improvements	\$ 2,100,000
<b>TOTAL</b>	<b>\$ 8,803,000</b>

Neither expansion's objectives varied in scope from what was originally scheduled in the original 1978 Redevelopment Project and Plan. Streetscaping, facade enhancement, parking improvements, and site redevelopment were all folded into the newly expanded district boundaries. As in Berwyn's rationale, the Village supported each successive expansion by touting the greater stimulating effects that broader redevelopment efforts would have for the entire Homewood commercial district.

While the boundaries of the TIF district have been expanded on two occasions, the Village did not issue additional obligations or extend the life of the composite TIF district area. According to Village officials, it was not necessary to do so because the TIF district has generated substantial excess revenue to support the additional project costs associated with each expansion.<sup>45</sup>

<sup>43</sup>Amended Downtown Homewood Tax Increment Financing Redevelopment Project and Plan, Trkla, Pettigrew, Allen & Payne, (December, 1995), p. 3.

<sup>44</sup>Ibid., pp. 16-17.

<sup>45</sup>Interview with Village official(s) conducted on January 10, 1997.

*EAV Trends*

The original and combined amended TIF district costs amount to \$13,064,100 in obligations for Homewood. According to Village officials, the growth in EAV within the TIF district and 1991 expanded boundary amounted to a greater than 1000% increase in value between 1978 and 1995, while EAV in the balance of the community has risen roughly 205%.<sup>46</sup> This property value appreciation has allowed Homewood readily to cover all obligations issued to this point, and it is anticipated that similar growth in EAV will occur over the remainder of the life of the TIF district.

The Village's ability to meet all TIF obligations has also resulted from its reliance on blending municipal financing programs. For example, the Village's streetscaping program in the amended boundaries has been financed through a combination of TIF funds and General Obligation Bonds. Also, the expansion of the Village's facade enhancement program into the expanded areas has been supported through surplus increment.

Homewood's TIF district has generated significant surplus income, and the Village has devised an inclusive strategy for the allocation of any surplus. Each year, the Village conducts a state-required financial review of the TIF district with the overlapping taxing districts. Typically, the review involves an assessment of the progress of projects within the TIF district and determination of whether specific goals have been met. On the agreement of all bodies, TIF surplus may be reinvested into the district. In the absence of such agreement, the surplus is redistributed out of the district to the taxing jurisdictions. To date, Homewood has redistributed \$2 million in surplus TIF district income to the overlying taxing bodies.<sup>47</sup>

Between 1978 and 1982, the Village reported zero growth in EAV within the Redevelopment Project Area. Figure 4-14 illustrates the growth in EAV since 1982.

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<sup>46</sup>Interview with Village official(s) conducted on November 11, 1996.

<sup>47</sup>Ibid.

Figure 4-14

**EAV GROWTH FOR HOMEWOOD  
CBD REDEVELOPMENT AREA: 1982-1995**

Year	Real EAV Year to Year	\$ Change EAV Year to Year	% Change EAV Year to Year
1982	\$ 816,155		
1983	\$ 2,110,973	\$ 1,294,818	158.6%
1984	\$ 2,358,449	\$ 247,476	11.7%
1985	\$ 2,478,710	\$ 120,261	5.1%
1986	\$ 2,394,906	\$ (83,804)	-3.4%
1987	\$ 3,240,642	\$ 845,736	35.3%
1988	\$ 3,282,554	\$ 41,912	1.3%
1989	\$ 10,477,067	\$ 7,194,513	219.2%
1990	\$ 10,768,509	\$ 291,442	2.8%
1991	\$ 10,842,670	\$ 74,161	0.7%
1992	\$ 10,851,125	\$ 8,455	0.1%
1993	\$ 12,205,974	\$ 1,354,849	12.5%
1994	\$ 12,172,879	\$ (33,095)	-0.3%
1995	\$ 11,670,398	\$ (502,481)	-4.1%

Between the frozen base year of 1978 and 1995, original and 1991 amended area TIF district EAV rose 1232%. This phenomenal growth is a function of both redevelopment activity and the long life of the TIF district. Inflation has boosted EAV, as have corresponding adjustments in the State Equalization Factor. However, year-to-year growth was far more unbalanced, and eight time intervals showed either a decrease in EAV or zero growth in EAV. These periods of decline or zero growth were offset by large increases in EAV growth in 1982-83 (141%) and 1988-89 (219%). The 219% increase in EAV between 1988 and 1989 is mainly attributable to the attachment of the 1991 amended area base EAV to the original TIF district unfrozen EAV (1989 EAV is the base value for the first amended area). Over the life of the TIF district, the Cook County Equalization Factor decreased twice: between 1982 and 1983 from 1.9288 to 1.9122, and between 1988 and 1989 from 1.9266 to 1.9133. Overall, however, the county Equalization Factor rose from 1.4966 to 2.1243 between 1978 and 1995.



Figure 4-15

## COMPOSITE EAV TRENDS: 1982-1995

Composite Trends and TIF District vs. Community-Wide Comparisons	
Initial Base EAV	\$816,155
1995 Base EAV	\$6,801,304
TIF % Change: 1995 Over Base	1329.92%
% Increase in Community EAV from Base Year to 1995	102.31%
Compound Annual Growth Rate in TIF District EAV	22.71%
Compound Annual Growth Rate in Community EAV	5.57%

The compound annual growth rate in EAV rose 22.71% annually. This growth exceeded the compound annual growth rate in EAV for the community as a whole by 17%, which suggests that, overall, the TIF district has succeeded in stimulating property values by encouraging new investment. This performance was inflated by 6.21% over the life of the district by the property added into the district in 1991.

Through 1993, the Village of Homewood's average contribution from its collected revenues to the redevelopment project costs has been 16%.<sup>48</sup>

### *Economic Development Results*

Interviews with Village officials indicated that their objective in creating the TIF was to "level the playing field" with lower-tax collar counties. Homewood is located close to Will County, where tax rates are far lower than in Cook County. This competitive advantage enjoyed by lower tax Collar Counties has resulted in the loss of significant tax base, in the opinion of at least one official.<sup>49</sup> The Village also explained that it was not interested in "bidding wars" with neighboring communities for tax base—at least, not with neighboring Cook County communities. The same officials expressed dismay at the fact that newer communities had the same ability to use TIF as older and perhaps blighted communities; one Village official asked simply, if rhetorically, "why should an aging and blighted community have to compete against a newer growing community?"<sup>50</sup>

Nevertheless, the performance of the TIF district in regard to growth in EAV and physical results appears to be very encouraging for Homewood. The TIF district appears to have met and exceeded expectations, as evidenced by the surplus revenue that the TIF district is generating for redevelopment within the expanded TIF district boundaries and for redistribution to overlying taxing jurisdictions.

<sup>48</sup>Data Source: Professor Richard Dye. Data on applicable taxing district levies was only available through 1993.

<sup>49</sup>Interviews with Village official(s) conducted on November 27, 1996.

<sup>50</sup>Ibid.

## MATTESON INDUSTRIAL CONSERVATION AREA

### *Why Was TIF Selected?*

In 1988, the Village of Matteson was faced with a declining revenue and industrial jobs base as a result of the closing of the Allis Chalmers facility in the Matteson Industrial Park in 1987 (see Map 7: Matteson Industrial Park Conservation Area). The Allis-Chalmers site and the Industrial Park were located along at the northwest corner of Cicero Avenue and the Elgin, Joliet and Eastern Railroad right-of-way. The Allis-Chalmers facility constituted approximately 509,000 square feet of industrial, warehouse, and office space. Surrounding properties zoned industrial were underutilized, and the park was exhibiting signs of blight, which was preventing the effective marketing of the area to new users.<sup>51</sup>

A private developer, Space Center Enterprises, approached the Village in 1988 with a proposal to redevelop the Allis Chalmers site and about 250 acres of surrounding land into a more marketable industrial park. This proposal coincided with the Village's long-standing intentions for the site. Discussions between Village and Space Center representatives culminated in the Village looking to TIF to provide the necessary public improvements and gap financing for direct development costs.<sup>52</sup>

### *Planning Context*

According to documentation provided by the Village, the community's Comprehensive Plan called for the retention of users in and attraction of new industrial users to the Matteson Industrial Park. Toward this end, the TIF Redevelopment Project and Plan was in full accord with the Village's long-term objectives for the site.

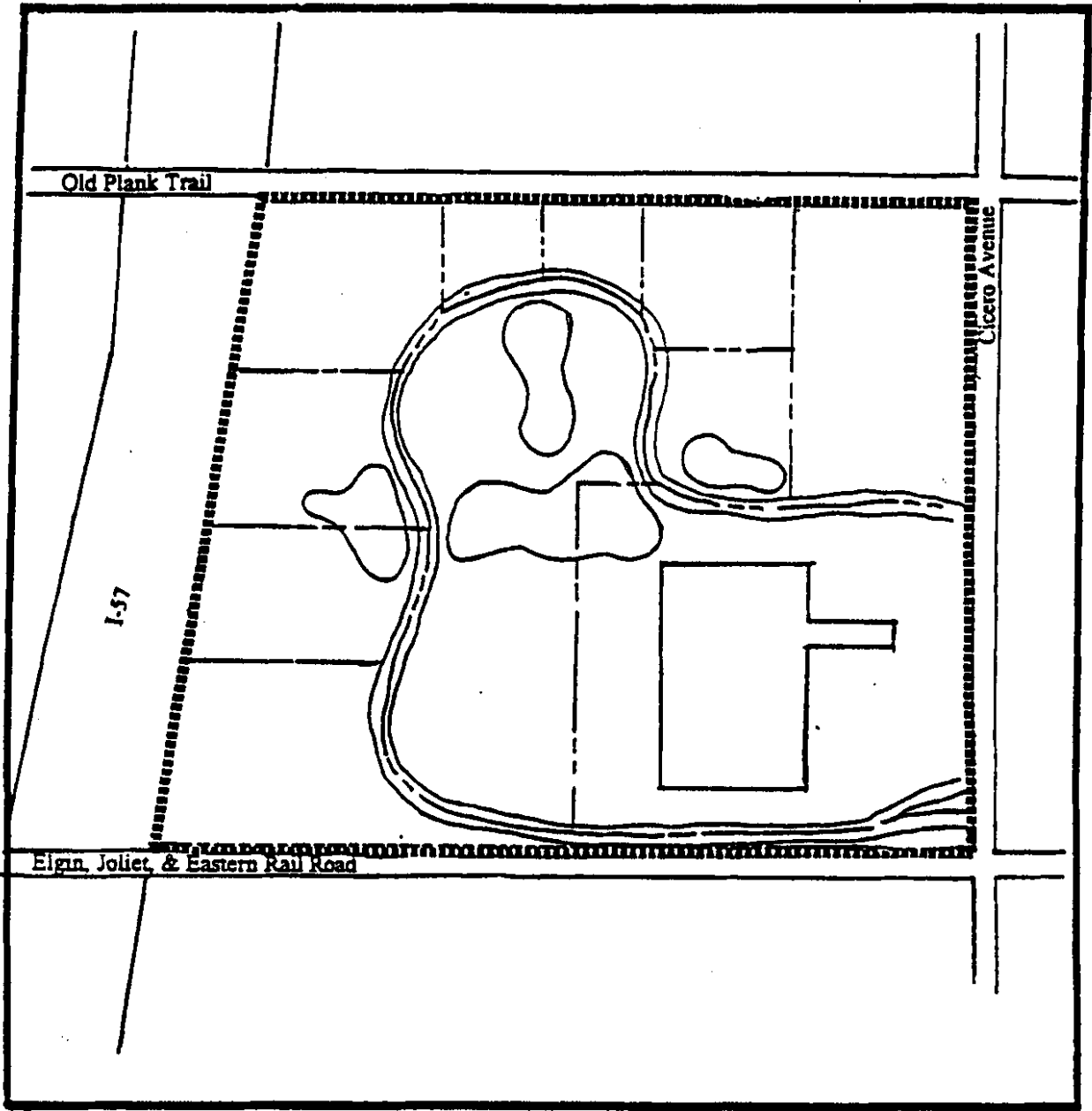
The Village interests lay in preserving, expanding, and diversifying its manufacturing and warehousing base, and Space Center Enterprise was interested in redeveloping the industrial park and the Allis Chalmers site. The TIF Act provided an opportunity for the Village to achieve these goals and to facilitate Space Center's project by designating the Matteson Industrial Park as an "industrial park conservation area." Beyond the normal eligibility factors required for a

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<sup>51</sup>*Village of Matteson Tax Increment Redevelopment Area No. 1 Redevelopment Project and Plan*, Village of Matteson; Keck, Mahin & Cate; and Kane, McKenna & Assoc., Inc.. (January, 1989), p. 2.

<sup>52</sup>Interview with Village official(s) conducted on November, 11, 1989.

Map 7: Matteson Industrial Park Conservation Area



Matteson Industrial Park Conservation Area

conservation or blighted area TIF, an industrial conservation TIF must also be located within a community where:

- A documented labor surplus exists;
- All private property within a proposed industrial conservation district has been zoned industrial prior to TIF district designation;
- The community has control of all land within the proposed district; and
- The proposed Redevelopment Project Area has suitable vacant land for industrial use and is contiguous to areas that can be designated as either a conservation or blighted area TIF district.<sup>53</sup>

The Village relied upon unemployment data for Cook County to demonstrate that it is a "labor surplus municipality" as defined within the TIF Act. According to data presented within the Eligibility Report, for the six months prior to the TIF study conducted in January, 1989, Cook County's unemployment rate ranged from 7% to 5.5%, exceeding the national unemployment average by 0.3% to 1.5%.<sup>54</sup>

Matteson was able to use Cook County's unemployment data as its own, based upon the statutory provisions found within the TIF Act at § 5/11-74.4-3(e). According to paragraph (e), a community may use the unemployment rate for the principal county within which the municipality lies if similar data is not available for the municipality. The Village was also able to demonstrate that the Cook County figure was beyond 6% for at least one month during the last six months prior to the writing of the Eligibility Report, and that the unemployment rate was at least 100% of the national average for the same six month period. Beyond the particular requirements for an industrial conservation area and labor surplus municipality designation, the Village noted the following blighted area eligibility factors within the Redevelopment Project Area:

- Obsolescence;
- Depreciation of physical maintenance;
- Deterioration;
- Deleterious land use or layout
- Excessive vacancies; and
- Lack of community planning.<sup>55</sup>

According to the documented findings, the former Allis Chalmers site was functionally obsolete as a result of structural configurations unique to the site. This obsolescence was attributed to office to total building ratios that exceeded similar ratios in newer industrial facilities; and to an excess of space and a single-user specified design that made the facility difficult to market. The Village also surveyed building and infrastructure conditions to evidence depreciation and deterioration.

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<sup>53</sup>IL ST CH 65 § 5/11-74.4-3(d).

<sup>54</sup>*Village of Matteson Tax Increment Redevelopment Area No. 1 Redevelopment Project and Plan*, Village of Matteson; Keck, Mahin & Cate; and Kane, McKenna & Assoc., Inc., (January, 1989), Exhibit 5.

<sup>55</sup>*Ibid.*

The single-user nature of the former Allis Chalmers facility was specifically cited as a basis to prove that the area suffered from deleterious layout.

The vacancy created by the departure of Allis Chalmers contributed to a 67% vacancy rate within industrial and warehouse facilities and a 100% vacancy within all available office space in the Redevelopment Project Area. Finally, the Village had not conducted contingency planning in the event that Allis Chalmers vacated its facilities. Consequently, no long range community planning had occurred, which may otherwise have enabled the community better to prepare for the company's possible departure.<sup>56</sup>

The Village's stated goal within the Redevelopment Project Area was to encourage more intensive and accelerated redevelopment to:

- Create jobs within the industrial park, but also to diversify the community's employment and tax base;
- Provide new infrastructure that adequately services industrial users; and
- Address negative perceptions of south-suburban Cook County as a place to locate businesses—particularly industrial concerns.

The goals were to be facilitated by attaining the following objectives:

- Construction of new infrastructure within the industrial park, including new water and sewer main extensions, access and circulation roads, street lighting, and other related improvements;
- Provisions for competitive and more marketable industrial and warehousing space for modern industrial users; and
- Enhancing the absorption rate of industrial property.<sup>57</sup>

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<sup>56</sup>Ibid.

<sup>57</sup>Ibid., p. 9.

The redevelopment project cost breakdown was itemized as follows:

Figure 4-16

**MATTESON INDUSTRIAL PARK CONSERVATION AREA BUDGET**

<b>ACTIVITY</b>	<b>AMOUNT</b>
Utility Improvements	\$ 763,000
Street Construction	\$ 1,106,000
Intersection and Traffic Signalization	\$ 300,000
Streetscaping and Street Lighting	\$ 400,000
Land Acquisition, Site Preparation, and Clearance	\$ 706,800
Rehabilitation of Existing Structures	\$ 575,000
Professional and Administrative Costs	\$ 951,000
Capitalized Interest	\$ 1,690,000
Project Contingencies	\$ 407,700
<b>TOTAL</b>	<b>\$ 6,900,000</b>

According to pre-development arrangements, the developer would front-end all infrastructure costs and TIF-eligible redevelopment costs and would be reimbursed through TIF bond income.

Of the \$6.9 million originally scheduled for the Matteson Industrial Park Conservation TIF district, 56% was to be allocated for projects directly associated with the physical enhancement and redevelopment of the area. The remaining 44% was scheduled for administration, contingencies, and professional fees, with the largest share going toward capitalized interest costs (\$1.69 million out of the remaining \$3,048,700, or 55% of the remaining TIF bonds not used for physical improvements).

The 1987 base EAV for the Redevelopment Project Area was \$3,060,208. Anticipated EAV after completion of all public and private improvements was calculated to be \$29 million; however, the report did not specify a date for completion of the work. The anticipated EAV was based upon the Village's analysis of a \$42 million market value increase as a result of these investments.<sup>58</sup> The projections were based upon a frozen equalization factor of 1.8916 in 1987. The equalization factor had increased to 2.1243 in 1995.

*Public Comment and Intergovernmental Review*

As seen in Homewood, some—though not all—of the overlapping jurisdictions participate quite vigorously in TIF district review and monitoring. The overlying governments involved here are School District 227 (Rich Township High Schools) and Elementary School District 159. Officials from the Village and school districts noted that generally positive relations exist between the municipality and these taxing bodies.

<sup>58</sup>Ibid., p. 17.

The Village noted that the participation of the two school districts had helped shaped more responsive policies regarding the operation of the TIF district. Officials from the Village also noted that other taxing bodies' participation was hampered by capacity limits. Often, these overlying jurisdictions are limited by the number of available personnel who can actually take the time to track and analyze the performance of a TIF district. In consequence, these taxing entities exhibit a *de facto* acceptance that their deferred revenues will be allocated in accord with the announced plans of the community and within the provisions of the TIF law.<sup>59</sup>

Officials from the school districts understood the Village's rationale for creating the TIF district and supported the general goals and objectives. However, in spite of their amicable relations with municipal officials, they were not inclined to support TIF in concept or practice. Specific objections rested upon:

- Municipalities' ability to define and organize such districts in the first place;
- The fact that overlying jurisdictional income was being used to finance typically private development programs;
- The loose interpretation given to "blight" by many communities; and
- Schools' inability to make up lost revenue from other revenue sources—particularly sales tax revenues.<sup>60</sup>

The school officials also explained that school financing patterns have been altered by tax cap legislation enacted in 1995. The alteration of these patterns is aggravated when TIF districts are brought into the equation.<sup>61</sup> The school officials suggested some ideas which could at least "reform" the existing TIF Act:

- Any final approval of a proposed TIF district should be made by the Illinois Department of Revenue;
- The state should once and for all firmly define all eligibility factors and place practical limits on TIF district operation, i.e., no amendments allowed;
- Schools should enjoy the same taxing power as municipalities; and
- The TIF law should be eliminated in favor of a system of tax abatements and other development incentives.<sup>62</sup>

Village and school district officials shared philosophical concerns about TIF district and the competition for tax base occurring in the region. Both groups explained that competition for tax base was at the root of the problem and that this problem was aggravated by TIF. Faster growing communities—typically found in collar counties—are able to assign greater revenue to development programs for areas questionably labeled as "blighted." Like Homewood officials,

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<sup>59</sup>Interviews with Village official(s) conducted on November 11, 1996.

<sup>60</sup>Interview with school district officials from Districts 159 and 227, conducted on November 21, 1996.

<sup>61</sup>Ibid.

<sup>62</sup>Ibid.

Matteson officials and taxing bodies seemed to suggest that while TIF may "level the economic development playing field," its full effect is muted in slower-growing Cook County communities.

In public meetings held in 1989, the Matteson citizenry was relatively quiet about the TIF district. Village Trustees expressed concern about the phasing of redevelopment on the site and the debt obligation of the Village, but Village officials and a prospective developer apparently allayed concerns. Specifically, Village officials noted that the proposed Redevelopment Project Area was mostly vacant, and the marketability of the site was negatively affected by a combination of location and design factors and economic trends in Cook County.<sup>63</sup>

### *TIF Amendments*

The Matteson TIF district has been subject to two amendments as a result of necessary revisions to which the Village and developer agreed. No amendments have occurred to the TIF district boundaries. The primary basis for revisions observed in available documentation and in interviews with Matteson officials resulted from delays in the original redevelopment objectives and scheduling. The amendments were also necessitated by the type of development that actually occurred on the site, and which diverged from what was originally anticipated.

The first amendment to the Redevelopment Project Area was approved in 1991. This amendment was initiated because of redevelopment delays that included the scheduled construction of a 300,000-square-foot warehouse facility. The developer's inability to locate users for this proposed site altered both the scheduling for bond issuances and the supportive financing. Accordingly, the amendment allowed Space Center to market linear areas along Cicero Avenue for "highway commercial uses (or retail uses)." The same amendment also extended the life of the TIF district from 17 years to 23 years in anticipation of further delays in the site redevelopment.<sup>64</sup>

The second amendment, initiated in 1996, made two changes from the original redevelopment plan: (1) the Village would permit the redevelopment of the east side of Cicero Avenue to complement the development occurring on the west side of Cicero Avenue; and (2) the Village would issue \$1.1 million in General Obligation Bonds to finance area-wide improvements for the east side of Cicero Avenue to be debt serviced with TIF district revenues.

The same amendment also reaffirmed the life extension of the TIF district. However, the amendment indicated that bonds issued for TIF district projects were still to be retired within the original 17 years.<sup>65</sup>

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<sup>63</sup>Comments from Public Meeting held on February 27, 1989.

<sup>64</sup>Ordinance Adopting Amendment No. 1 to Redevelopment Plan and Project for Tax Increment Area No. 1," Village of Matteson, Ordinance No. 1482, approved September 16, 1991.

<sup>65</sup>"An ordinance Approving an Amended Redevelopment Agreement for Redevelopment Project Area No. 1," Village of Matteson Ordinance No. 1640, approved on November 18, 1996.



The effect of both amendments was to change the redevelopment objectives from a pursuit of the desired industrial redevelopment to a tacit recognition of the realities of development that were and are actually occurring within the Redevelopment Project Area.

### *EAV Trends*

Concurrent with the drafting of the Redevelopment Project and Plan, the Village was entering into a development agreement with Space Center Enterprises, a Minneapolis, Minnesota-based company. According to the terms of the original development agreement, Space Centers (also known as SCM Property) was to rehabilitate the Allis Chalmers plant and construct new warehouse facilities, possibly amounting to 1.3 million-square-feet of space.<sup>66</sup>

Space Center Enterprises is an office and industrial developer. Its stated intent for the former Allis Chalmers site was to create a presence in the Chicago market and redevelop the industrial park as an expanded facility. The developer planned to subdivide the vacant parcels around the existing Allis Chalmers facility into six development sites and market them to new industrial users.<sup>67</sup>

As part of the redevelopment agreement with Matteson, Space Center received land control over the 250 vacant acres, as well as over several existing buildings within the park. However, the pace of redevelopment stalled when Space Center Enterprises, declined several offers from other developers to buy and build out five to seven acre plots for undisclosed reasons. In addition, Village officials perceived that the proximity of the site to Will County also contributed to delaying redevelopment of the site, because of Will County's lower assessment levels for both commercial and industrial property and lower property taxes.<sup>68</sup>

While industrial redevelopment of the site was delayed, the developer was able to negotiate deals with several national retailers and service companies to remodel and lease out existing buildings on the site. Among the new park tenants are Target Stores, Pep Boys, Menard's, and Chemical Bank. Also, the former Allis Chalmers facility has been retrofitted to accommodate First Data Corporation's credit collection and security operations. Each of these park tenants occupies space along Cicero Avenue, and each has benefited from TIF district financed infrastructure improvements within the park and along Cicero Avenue.

According to information provided by the Village, approximately 1,400 service-oriented jobs have been created within the park boundaries. The retailers and service providers are also generating \$1.5 million in property and sales tax revenues annually for the municipality, as well as \$500,000 in ancillary development projects within the park's boundaries to date.<sup>69</sup>

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<sup>66</sup>"Village of Matteson Redevelopment Agreement with SCM Properties, Inc.." (April 17, 1989), p. 3.

<sup>67</sup>Comments from Public Meeting held on February 27, 1989, pp. 18-23.

<sup>68</sup>Interview with Village official(s) conducted on November 11, 1996.

<sup>69</sup>Ibid.

The following figures show the growth in EAV and composite growth in EAV within the Matteson Industrial Park Conservation TIF district over time.

**Figure 4-17**

**EAV GROWTH MATTESON  
INDUSTRIAL PARK CONSERVATION AREA:  
1989-1995**

<b>Year</b>	<b>Real EAV Year to Year</b>	<b>\$ Change EAV Year to Year</b>	<b>% Change EAV Year to Year</b>
1989	\$ 2,934,077		
1990	\$ 3,774,033	\$ 839,956	28.6%
1991	\$ 3,934,220	\$ 160,187	4.2%
1992	\$ 3,952,060	\$ 17,840	0.5%
1993	\$ 4,561,296	\$ 609,236	15.4%
1994	\$ 15,435,641	\$ 10,874,345	238.4%
1995	\$ 15,947,868	\$ 512,227	3.3%

**Figure 4-18**

**COMPOSITE EAV TRENDS:  
1989-1995**

<b>Composite Trends and TIF District vs. Community-Wide Comparisons</b>	
Initial Base EAV	\$2,934,077
1995 Base EAV	\$2,934,077
TIF % Change: 1995 Over Base	443.5%
% Increase in Community EAV from Base Year to 1995	41.8%
Compound Annual Growth Rate in TIF District EAV	32.6%
Compound Annual Growth Rate in Community EAV	6.0%

Composite aggregate EAV growth for the Matteson TIF district between 1989 and 1990 was nearly 444%. Both 1990 and 1993 were Triennial Assessment years for Cook County, which probably led to the modest increases in EAV value in those two years. The Cook County Equalization Factor increased from 1.9133 in 1989 to 1.9946 in 1990, and from 2.0897 in 1992 to 2.1407 in 1993. Overall, the Cook County Equalization Factor rose from 1.9133 to 2.1243 during the six-year life of the Matteson Industrial Park Conservation TIF district.

The interval increase of 238% between 1993 and 1994 was attributable to the concurrent completions of the Target, Menard's, and Pep Boys retail stores, and to the First Data Corporation's reconfiguration and occupation of the former Allis Chalmers facility.<sup>70</sup>

<sup>70</sup>"Village of Matteson TIF I EAV History Through 1995."

The performance of the TIF district can also be analyzed in two ways - first, in terms of the increase in EAV to date and second, in terms of how this increase has related to projections in TIF district EAV when all redevelopment was originally scheduled to be completed. As originally projected, total TIF district EAV was anticipated to be \$29 million. As of 1995, total TIF district EAV was \$15,947,868, or 55% of projected total EAV after all development is completed. 1995 was year six in the life of what was originally scheduled to be a 17 year TIF. Thus, Matteson's TIF district is performing ahead of schedule by reaching 50% of anticipated total EAV a little over one-third of the way into the life of the TIF district.

Additional evidence of the financial success of the Matteson Industrial Conservation Area TIF district is found in the compound annual growth rate in EAV for the district as compared to the Village of Matteson as a whole. Over the life of the TIF district, compound annual growth rate in EAV was 32.60%, which exceeded the compound annual growth rate for the Village as whole by 26.6%. The strong growth in EAV is a function of the extensive development and redevelopment activities that have occurred and are occurring within the TIF district.

Matteson's TIF district is unique among the surveyed TIF districts in being a large scale redevelopment project initiated by a developer. Franklin Park's Waveland-Mannheim TIF district was also a developer-initiated project, but not on the scale as this district. This TIF district has successfully facilitated the anticipated development program of Space Centers. However, it is important to note that the type of development that has occurred to date is not exactly what the Village had anticipated when it originally entered into the agreement with Space Centers.

Direct revenues from the Village of Matteson have accounted, on average, for 11% of the redevelopment project costs within the Matteson Industrial Conservation Area TIF through 1993.<sup>71</sup>

### *Economic Development Results*

Matteson's TIF has been very successful in terms of financial performance as measured by the growth in EAV. The 444% increase in EAV over a six-year period is a significant appreciation in property value. However, in terms of physical development, the TIF has not performed as originally planned by the Village.

Industrial redevelopment has given way to service and retail redevelopment. The former Allis Chalmers facility has been retrofitted for First Data Corporation. Village officials acknowledged the failure of the TIF to generate new industrial development, and they attributed this failure to at least three factors:

- The original agreement gave Space Center exclusive right to all TIF incentives which consequently could not be directed to sub-developers who might contract with Space Center, or with the municipality separately, to develop out-lot sites;

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<sup>71</sup>Data Source: Professor Richard Dye. Data on applicable taxing district levies was only available through 1993.

- The TIF incentives and infrastructure improvements have not been enough to compensate for the disparity in tax rates between Cook and Will counties (rates can be as much as one-third to one-half lower in Will County); and
- The structure of TIF incentives as reimbursement and direct public infrastructure investment offered by Matteson to prospective users did not address market preferences for long-term property tax abatements.<sup>72</sup>

Nevertheless, these same officials explained that the TIF district has performed quite well. They noted that the TIF district has generated good revenue for the Village, and for overlying taxing jurisdictions in the form of redistributed tax revenue; that the TIF district has created a number of new jobs for the community; and that the experience has enabled the Village not only to understand the development process better, but also to understand what it would do in the future. The Village indicated that in the future, among other things, they would:

- Create incentives internal to the TIF district to make the developer perform as scheduled, including strict time lines for multiple phasing of development activity;
- Link construction of new development and rehabilitation of existing property to bond issuances;
- Reverse TIF, whereby a developer gives taxes up front for redistribution and Village abates all taxes for a set period of time above that level; and
- Create a 50% threshold policy stipulating that if the issuance of bonds does not make financial sense at 50% of projected revenues from the proposed development, then the project would not be initiated.<sup>73</sup>

Such insight into the mechanics and reformation of TIF are quite interesting and, of the five communities surveyed, only Matteson shared such insights. The reforms proposed by these officials answered three of the more pressing problems that they identified with the TIF law: (1) TIF is not being used for its original purpose of attracting new development and redevelopment to deteriorating areas; instead, TIF is used to provide tax incentives for developers; (2) TIF fails to adequately address larger market problems, which include regional tax rate disparities and lack of uniformity of incentives in the local area market; and (3) the apparent unwillingness on the part of regional municipal officials to walk away from tax base competition, which has caused many communities to devise TIF incentive packages in excess of alleged benefits of any one project.<sup>74</sup>

Clearly, Matteson has enjoyed success with its TIF district, even if the type of development that has occurred to date is not what was originally planned. The inclusion of five new businesses paying \$1.5 million annually in taxes and employing over 1,300 people, is a fairly good result from a total committed investment on the Village's part of \$8 million (not yet completely disbursed).

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<sup>72</sup>Interview with Village official(s) conducted on November 11, 1989.

<sup>73</sup>Ibid.

<sup>74</sup>Ibid.

Finally, the EAV of all property within the TIF district has appreciated in value over a six-year-period (444%).

Documents prepared by Space Center Enterprises in late 1995 indicated that future development plans will be geared toward warehousing and distribution facilities. Included in the company's plans included building a 65,000-square-foot, multi-tenant warehouse facility, with construction scheduled for late 1996. These documents also indicated that second and third warehouse buildings would be constructed as leasing levels reached 65-70% in existing new construction. The developer also revealed plans for a 290,000 square foot distribution facility to be constructed in spring, 1997. Based upon marketing schedules and absorption rates, additional distribution facilities would be constructed in response to market demand.<sup>75</sup>

This development is likely the type anticipated by the Village when it originally drew up the Redevelopment Project and Plan. Recent strong regional market trends may have made Matteson, and perhaps other Cook County communities, more desirable destinations at least for warehousing and distribution facilities. This appeal may also translate into associated manufacturing facilities, but Space Center Enterprises' plans did not include construction of such space. Nevertheless, the type of space they are anticipating building can be retrofitted to accommodate light manufacturing users.

At least since the TIF district's inception, Matteson's experience may be indicative of broader long-term regional dynamics. Specifically, Matteson wanted new industrial development and went about creating its TIF district as an "industrial park conservation area" project. Instead, the area has been a location for retail and service businesses, with the exception of one medium-sized manufacturing facility. Matteson officials attribute the lack of appreciable industrial development to a number of regional economic development dynamics that cannot be addressed through TIF incentives.

If Matteson's experience is at all representative, TIF incentives may not be enough to obtain the advantages enjoyed by outlying Collar County locations. Taxes in the collar counties are significantly lower than rates in Cook County, and many business interests perceive that the Collar Counties are friendlier places to conduct business and facilitate new development. Whether this perception is at all justified is the topic of another discussion not within the scope of this document.

## **OLDE SCHAUMBURG CENTER**

### *Why Was TIF Selected?*

In the mid-1980s, the Village of Schaumburg became interested in the prevailing conditions, scale, and type of development occurring in the "Olde Schaumburg Center" area, located at the

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<sup>75</sup>Letter dated August 8, 1995 from Greg Scott (Southgate Commerce) to Walter Parkins (Dougherty & Dawkins) outlining future development plans by Space Center Enterprises within the Matteson Industrial Park Conservation Redevelopment Project Area.

intersection of Roselle and Schaumburg Roads (see Map 8: Olde Schaumburg Center Redevelopment Project Area). The area was and is characterized by mixed land uses of varying density. The Village's interests were primarily driven by a desire to preserve the historic structures located within the area.

Schaumburg's continued population growth and rapid development, particularly around the Woodfield Mall area, necessitated an active planning program to manage anticipated continuing and future growth. The Olde Schaumburg Center area had not been developing according to any coordinated plan, and the uncoordinated nature of development had left the area an amalgam of interspersed land uses without any unifying or connecting features. Nevertheless, significant opportunities existed both functionally and through urban design to tie together the seemingly disparate land use characteristics found in the area.

### *Planning Context*

Prior to a comprehensive planning and market analysis study, the Village of Schaumburg wanted to distinguish the Roselle and Schaumburg area. The Village established design guidelines that accentuated the prevailing historical architectural fabric of the area. These design guidelines also served to facilitate pedestrian circulation throughout the area and create a pedestrian-scaled physical environment. Many of these guidelines seem to be in accord with neo-traditional planning techniques now popular throughout the country. The guidelines were adopted by Trkla, Pettigrew, Allen & Payne when they wrote the area's planning, market study, and development strategy document.

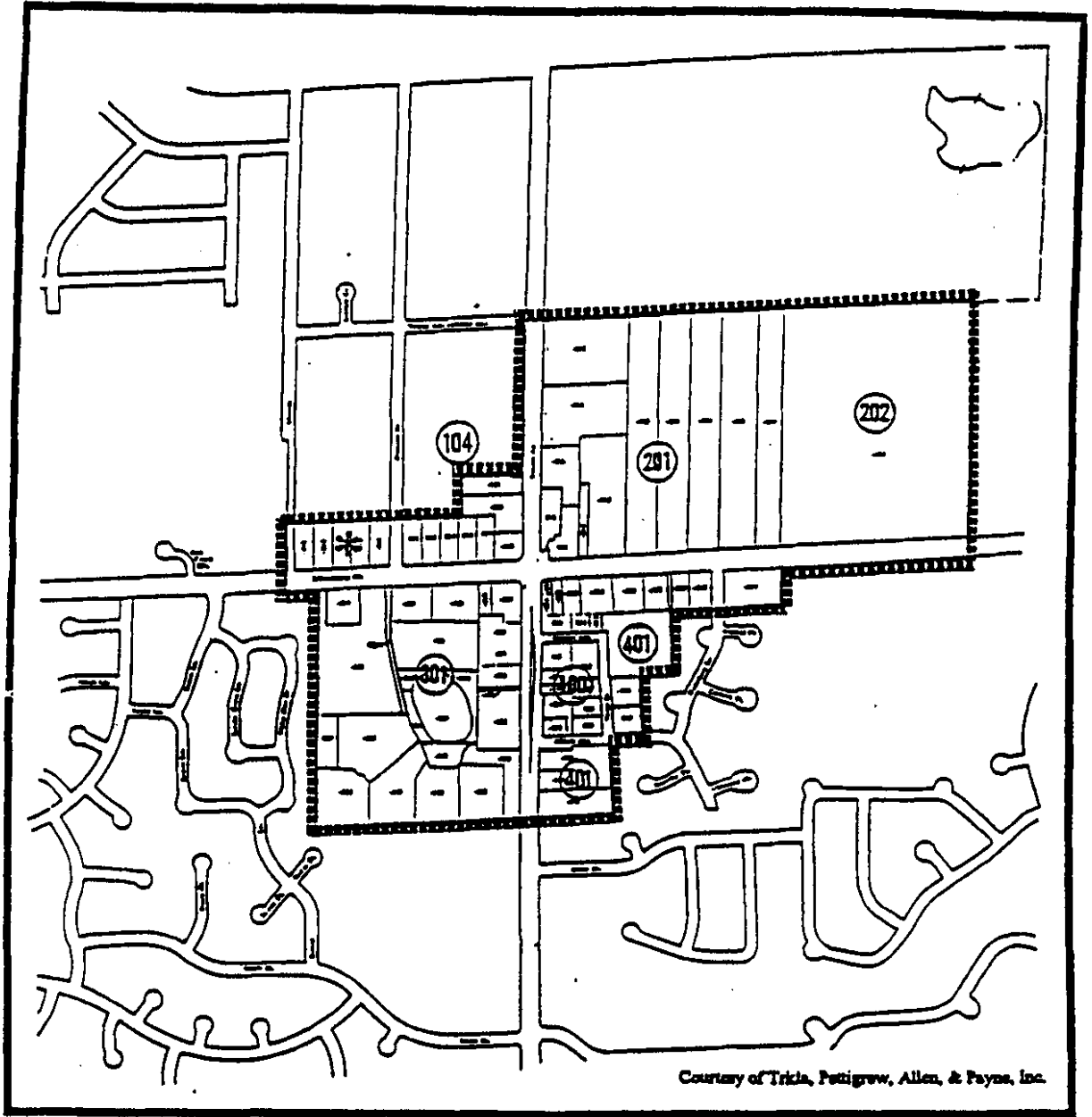
In 1986, the Village employed the services of Trkla, Pettigrew, Allen & Payne (TPAP) to conduct an area market study, devise an Olde Schaumburg Center framework plan, identify opportunity areas for development and redevelopment, and form an integrated development strategy. The consultant and Village included the input of business and local residents to guide the planning process and to help shape goals and objectives.<sup>76</sup>

TPAP broke the larger study area into four quadrants, each bounded on two sides by Roselle and Schaumburg Roads. Each quadrant was characterized by predominant land use and assessed for future development potential. TPAP also emphasized the need to consolidate the area through urban design to achieve a "community center" district, an area distinct from the prevailing auto-oriented commercial strip development found within Schaumburg and other suburban communities.

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<sup>76</sup>*Olde Schaumburg Center: Marketing Feasibility and Planning Study*, Trkla, Pettigrew, Allen & Payne, (1987), p. 3.

Map 8: Olde Schaumburg Center Redevelopment Project Area



Old Schaumburg Center

According to the market study, Olde Schaumburg Center would have to compete with more established community centers in Long Grove and the Olde Town area in Bloomingdale. Each of these community centers succeeded, according to the market study, because of the presence of an anchor business that created a draw for the area. For Olde Schaumburg Center, TPAP explained that a market assessment indicated that a 40,000-square-foot grocery store could serve as such an area anchor.<sup>77</sup>

The specific framework plan goals for the entire area included:

- Easy accessibility to Olde Schaumburg from the entire community;
- Retention and development of a wide range of commercial uses and activities strongly oriented toward local population needs;
- Retention and development of anchor institutional uses, including St. Peter's Church and campus and the Schaumburg Public Library;
- Development of the center on a pedestrian scale which encourages face-to-face contact;
- Development of the area adhering to design guidelines which connect existing historic architecture to new development; and
- The development of the area as the primary location of community-wide activities, special events, and celebration.<sup>78</sup>

TPAP characterized existing development patterns and predominant land uses within each quadrant, and specified development strategies for each. The characterizations and specific development strategy recommendations for each quadrant included the following:

**Northeast Quadrant:** At the time of the market study and area planning process, this quadrant was the least developed and contained a mix of disconnected uses and vacant parcels, including St. Peter's Church and the Waterbury Retirement Center. The development strategy and land use plan for the area included concentration of clustered commercial development at the intersection of Roselle and Schaumburg roads; landscape buffering for existing uses not consistent with the planning and development strategies contained within the plan; expansion of the St. Peter's site to make it the focal point within the quadrant; streetscaping that creates a more ordered physical environment and enhances pedestrian circulation and access; construction of new multi-family development on available vacant sites and targeted commercial sites not consistent with the plan and development strategy.<sup>79</sup>

**Southeast Quadrant:** The southeast quadrant was characterized by a mix of commercial and isolated residential zones, interspersed with under-utilized and/or vacant parcels. This area has been the traditional location of "period vernacular" architectural examples. Several of these period structures had been retrofitted to accommodate new commercial uses, and new in-fill construction was designed to connect the new construction with existing historic structures through architectural features. The development strategy and land use plan incorporated

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<sup>77</sup>Ibid., p. 12.

<sup>78</sup>Ibid., pp. 17-19.

<sup>79</sup>Ibid., pp. 23-24.



continued cluster development of the area with small-scale, pedestrian-oriented shopping and businesses, including restaurants and personal services; phase out of existing single family uses with the reuse of architecturally significant homes as small scale commercial; improving the interrelationship between existing uses and enhancing area circulation; and consolidation of accessible surface parking areas.<sup>80</sup>

Southwest Quadrant: The southwest area of the planning study contains the largest single retail development within the entire Olde Schaumburg Center area—Town Square Shopping Center. The area also had a number of attached and detached single family developments with a high concentration of elderly residents. Adjacent to the Town Square Shopping Center lay a 12 acre vacant parcel. The specific strategies for this area indicate that it should become the focal point for the surrounding residential areas; development of a new 150,000-square-foot commercial center which services the needs of surrounding residential districts; consolidation of surface parking areas; landscape buffering between uses; and reorientation of available open space to a “village green or square” concept.<sup>81</sup>

Northwest Quadrant: This area contains a mix of low density land uses, with commercial development clustered at the Roselle and Schaumburg roads intersection. At the time of the planning study, Schoolhouse Square Shopping Center was the newest retail facility in the area, built using design guidelines that encourage pedestrian circulation and physical scaling. The northwest quadrant is also characterized by a number of large lot single family homes and a sizable retirement community, Friendship Village. At the time of the plan, the Village of Schaumburg was planning to enhance a wetlands area within the quadrant with a public park. Other ideas and strategies for the area included phasing out single-family uses along Schaumburg and Roselle Roads and converting of land to clustered commercial uses; facade improvements and enhancements that address non-conforming architectural types according to the Olde Schaumburg Center design guidelines; integration of the Village of Schaumburg Public Library and a new public park with the rest of the area; and the development of new high-density housing.<sup>82</sup>

TPAP outlined a number of financing mechanisms available to implement the desired objectives stated within the planning and development strategies document, including TIF. TIF was a particularly attractive financing tool because the scheduled funding would be directed toward specified objectives for a highly specific area. Furthermore, Schaumburg was, and is, one of the northwest suburbs’ fastest-growing communities. This growth has been driven by a continuing influx of upper-middle income families. Thus, Schaumburg’s tax base was quite healthy and growing. TIF would be fairly easy to justify to overlying taxing bodies, particularly schools, given these strong fiscal trends. Any potentially lost income resulting from a TIF district would be readily made up by steady tax base growth in the remainder of the community. Furthermore, Schaumburg would achieve its long desired goal of creating an identifiable “community center” where additional tax base growth could be expected.

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<sup>80</sup>Ibid., pp. 24-25.

<sup>81</sup>Ibid., pp. 25-26.

<sup>82</sup>Ibid., pp. 26-27.

TPAP was contracted to follow up on its planning and market study and development strategies document with the TIF Eligibility Study and Redevelopment Project and Plan document.

According to the Eligibility Report, seven of the 14 eligibility factors for a “conservation area” were documented within the proposed area:

- Age;
- Obsolescence;
- Deterioration;
- Excessive vacancies;
- Inadequate utilities;
- Deleterious land use or layout;
- Depreciation of physical maintenance; and
- Lack of community planning.<sup>83</sup>

Each of the eligibility factors was documented as being present to a major extent throughout the area. Of the 68 buildings within the proposed Olde Schaumburg Center TIF district, 38 (56%) were 35 years of age or older. Obsolescence was typically embodied in outdated platting, which made site assembly difficult, and in turn-of-the century structures that had been retrofitted to accommodate various commercial uses. TPAP’s survey showed that 12 of the 68 buildings (18%) surveyed were functionally and economically obsolete.<sup>84</sup> This survey also revealed that of the 68 buildings within the proposed district, 23 buildings (34%) suffered from some level of physical dilapidation. However, 21 of these structures were categorized as suffering from only minor deficiencies.<sup>85</sup>

Likewise, deterioration and depreciation of physical maintenance were evident in 23 of the 68 buildings surveyed (34%). Deterioration was evident to the greatest extent on the block bounded by Roselle Road on the west and Illinois Avenue to the north. According to the report, eight of the 18 buildings on this block (44.4%) showed some level of deterioration. However, none of the buildings had deteriorated beyond a rating of “minor deficiency.” Only block 201, bounded by Roselle Road to the west and Schaumburg Road to the south, showed any physical deterioration greater than “minor.” This block had one building categorized as suffering from “major deficiencies” and one building categorized as “substandard.” Additionally, several surface parking areas and streets were recorded as deteriorated.<sup>86</sup>

The excessive vacancies recorded in the study area referred primarily to vacant and underutilized land. Approximately 222 acres of land were recorded as vacant or underutilized when TPAP conducted the study. Most vacant land was situated in the northeast and southwest quadrants. In

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<sup>83</sup>*Olde Schaumburg Center: Tax Increment Financing Eligibility Report*, Trkla, Pettigrew, Allen & Payne, (September, 1988), p. 2.

<sup>84</sup>*Ibid.*, p. 16.

<sup>85</sup>*Ibid.*, p. 15.

<sup>86</sup>*Ibid.*, pp. 19-20, 30.

addition, 10 buildings were found to have vacant space within them, but apparently, no building was totally vacant or abandoned.<sup>87</sup>

Among the other cited eligibility factors present to a major extent, TPAP reported that certain parcels within the study area did not have the benefit of utility extensions; however, lack of public utilities was isolated in the undeveloped vacant parcels. Two closely related eligibility factors were deleterious land use or layout and lack of community planning. deleterious land use or property layout is an attributable consequence of unguided and unplanned development. The area exhibited irregular parceling of property and incompatible land uses existing side-by-side.<sup>88</sup>

Instead of citing lack of private investment within a proposed TIF district as a justification for the creation of the district (as was done in the other TIF case studies), TPAP noted that the pattern of private investment was not contributing to the sound growth of the proposed Redevelopment Project Area.<sup>89</sup> Interestingly, Illinois' TIF law was amended after the Olde Schaumburg Center TIF's creation to require a finding--among others--that the proposed redevelopment project area had not been subject to growth and development through investment by private enterprise.<sup>90</sup>

The Olde Schaumburg Center Marketing Feasibility and Planning Study served as the basis for the Redevelopment Project and Plan document prepared by TPAP. The project was scheduled to be completed in two phases with the following cost breakdowns:

Figure 4-19

**OLDE SCHAUMBURG CENTER BUDGET:  
PHASE I and PHASE II**

ACTIVITY	PHASE I	PHASE II
Acquisition/Demolition/Relocation	\$ 2,075,000	
Street Improvements	\$ 1,545,000	
Streetscape Improvements	\$ 614,000	
Parking Lot Improvements	\$ 250,000	\$ 100,000
Public Plaza/Mall Improvements	\$ 150,000	\$ 350,000
Facade Improvements	\$ 200,000	\$ 200,000
Rehabilitation Improvements	\$ 200,000	\$ 200,000
Professional, Administrative, and Bond Fees	\$ 1,161,000	\$ 225,000
<b>TOTAL</b>	<b>\$ 6,195,000</b>	<b>\$ 1,075,000</b>

Of the \$7.27 million in TIF bonds scheduled for the TIF eligible activities in the Olde Schaumburg Center area, 29% was earmarked for demolition and property acquisition activities. In fact, much of this funding was used to acquire the Town Square Shopping Center, which was

<sup>87</sup>Ibid., p. 23.

<sup>88</sup>Ibid., pp. 27-26, 32.

<sup>89</sup>Ibid., p. 33.

<sup>90</sup>65 ILCS 5/11-74.4-3 (n)(B) as amended March 14, 1994.

falling into disrepair due to owner neglect.<sup>91</sup> Of the remaining bonds issued for the TIF district, 52% were to go directly toward redevelopment and area-wide physical improvements. Finally, 19% of the remaining funds were scheduled for professional, administrative, and bond fees. By 1990, projected EAV within the Olde Schaumburg Center TIF district was estimated to be between \$11.2 million and \$13.69 million. These 1990 EAV projections depended upon the completed development of all Sub-Area 1 projects (the southeast quadrant). The estimated composite area EAV for 1993 was estimated to be between \$17.34 million and \$21.2 million. These figures were based on several assumptions: that redevelopment of the project area in a "timely manner"; that market values will increase following completion of each redevelopment project; that the state 1987 equalizer of 1.8916 will remain unchanged; and that existing area tax rates will be unchanged from 1987 levels of 8.512%.<sup>92</sup>

### *Public Comment and Intergovernmental Review*

Conversations with Village officials and representatives from the Library District indicated that both public support of and disagreement with the TIF district plans were negligible. Representatives from the Library District, which is opening a new, modern facility within the TIF district without the assistance of TIF funds, indicated that the Joint Review Board is relatively inactive. The inactivity, according to both Library District officials and Village officials, may be attributed to the rapid growth which has generated additional tax revenues for overlying taxing bodies. The loss in tax revenue from property located within the TIF district is negligible in a situation where revenues are easily made up from rapid increases in property values in the balance of the community.<sup>93</sup>

### *TIF Amendments*

The Olde Schaumburg Center TIF district has not been subject to amendment and, according to Village officials, likely will not be amended. There is a general attitude of caution toward TIF in Schaumburg. The attitude of Village officials interviewed for this report seems to indicate that while TIF is a convenient financing tool to achieve community development objectives, it is a tool that should only be used with carefully planned and well-defined objectives. The caution expressed by Village officials may also derive from the fact that Schaumburg is not a community suffering from blight and/or abandonment. The Village is still in a growth phase and has many acres of land left for large tract and commercial development within its corporate boundaries.

### *EAV Trends*

Recently, the Village of Schaumburg entered into a redevelopment agreement with Trident Developments, Inc. and Dodi Schaumburg L.L.C. Under the specific terms of the agreement,

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<sup>91</sup>Interviews conducted with Village officials and Library District officials on December 10, 1996, and December 23, 1996, respectively.

<sup>92</sup>*Olde Schaumburg Center Tax Increment Redevelopment Project and Plan*, Trkla, Pettigrew, Allen & Payne, (October 21, 1988), p. 21.

<sup>93</sup>*Ibid.*

Trident and Dodi are improving the area around the existing Town Square Shopping Center with an integrated commercial shopping facility. Specific aspects of the plan include:

- Demolition and removal of certain existing structures;
- The division of the Town Square parcel into 10 development sites;
- Improvements on these 10 new parcels with a grocery store (not less than 64,000 square feet in size), office and retail facilities (not less than a combined 32,850 square feet in gross leasable area), and restaurants (one of which occupies no less than 5,500 square feet in gross leasable area);
- Installation of a water feature adjacent to a proposed Village amphitheater; and
- A gateway park between the proposed amphitheater and the future site of the new Schaumburg Public Library facility.<sup>94</sup>

According to the terms of the agreement, the developers will be responsible for all area improvements, including roadways, landscaping, utility extensions, streetscape enhancements, and development and construction projects. Each of these area-wide improvements are subject to plan review for conformance with the Olde Schaumburg Redevelopment Project and Plan.<sup>95</sup>

This significant redevelopment agreement is the first to have arisen from the Olde Schaumburg Center TIF district. However, previous area-wide site improvements have been made by the Village to support future development objectives. According to Village officials, \$6 million in TIF bonds have been issued to date for scheduled area-wide improvements.<sup>96</sup>

The Schaumburg Public Library will also be relocating in a new, larger facility within the TIF district on a parcel that the Library District has purchased from the Village for \$3 million. The Library District will not be receiving any TIF funds for their project.<sup>97</sup>

Interviews with Village officials suggested that redevelopment within the project area had been delayed because of protracted negotiations and legal proceedings with the former owners of the Town Square Shopping Center, which is within the Sub-Area 1 project sector (southeast quadrant). Based on the phasing of redevelopment activity, the Town Square property was considered a central parcel in the Village's redevelopment program, and the delayed start in redevelopment on this parcel delayed the implementation of redevelopment activity for the entire TIF district.

Financial information on the EAV performance within the TIF district since its inception is presented the figures below.

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<sup>94</sup>*Village of Schaumburg Redevelopment Agreement*, stamp number 95759595, dated November 2, 1995, p. 1.

<sup>95</sup>*Ibid.*, pp. 4-6.

<sup>96</sup>Interview with Village official(s) conducted on December 10, 1996.

<sup>97</sup>Interview with Library District official(s) conducted on December 23, 1996.

FIGURE 4-20

**EAV GROWTH OLDE SCHAUMBURG CENTER: 1989-1995**

Year	Real EAV Year to Year	\$ Change EAV Year to Year	% Change EAV Year to Year
1989	\$ 10,754,500		
1990	\$ 11,911,176	\$ 1,156,676	10.8%
1991	\$ 15,312,047	\$ 3,400,871	28.6%
1992	\$ 19,079,486	\$ 3,767,439	24.6%
1993	\$ 23,938,383	\$ 4,858,897	25.5%
1994	\$ 31,367,306	\$ 7,428,923	31.0%
1995	\$ 39,464,565	\$ 8,097,259	25.8%

Figure 4-21

**COMPOSITE EAV TRENDS: 1989-1995**

Composite Trends and TIF District vs. Community-Wide Comparisons	
Initial Base EAV	\$10,754,500
1995 Base EAV	\$10,754,500
TIF % Change: 1995 Over Base	267.0%
% Increase in Community EAV from Base Year to 1995	35.3%
Compound Annual Growth Rate in TIF District EAV	24.2%
Compound Annual Growth Rate in Community EAV	5.2%

The Village of Schaumburg does not track EAV trends within the Olde Schaumburg Center TIF district, for two reasons: the Village has not tracked EAV growth or decline because of the lack of any appreciable development activity in the district until recently; and the Village of Schaumburg is not generally concerned with property values because the Village neither collects nor uses such revenue.

Interviews with Village officials did indicate that prior to demolition activity in the area, tax revenue generated from all area properties amounted to approximately \$650,000 in property taxes per year. Since demolition activity has commenced, tax receipts generated from the area have declined to about \$550,000.<sup>98</sup> Again, Schaumburg does not rely on property tax revenue for Village budgetary income. Instead, Schaumburg relies upon sales tax revenue from a local 8.25% sales tax levy, and upon the Village's Home Rule share of one-half of one percent from the State sales tax, to support Village administrative and operation functions.<sup>99</sup>

<sup>98</sup>Interview with Village official(s) conducted on January 14, 1997.

<sup>99</sup>Ibid.

The EAV data collected from the Cook County Assessor's Office does demonstrate that property values within the TIF district have grown steadily and strongly over the life of the district. What is interesting about this strong EAV growth is that, through 1995, demolition activity rather than new development had been the primary activity in the area. The growth in EAV within the TIF district was assisted by the increase in the State Equalization Factor, which rose from 1.9133 in 1989 (when the TIF district was created) to 2.1243 in 1995. However, the total growth in EAV was still substantially greater than any increase attributed to the change in the Equalization Factor over the life of the TIF district. As new development occurs within the Olde Schaumburg Center TIF district, EAV probably will grow at even a faster pace than exhibited to date. This growth will occur through a combination of the stimulating effects of new development upon area property rates coupled with the traditionally strong growth in property values attributed to Schaumburg's favorable economic environment.

Schaumburg levies a minimal property tax, which in 1993 was 0.00017%. Accordingly, through 1993, the average contribution by the Village of Schaumburg from collected property tax revenue to the redevelopment costs of the Olde Schaumburg Center TIF district was 0.0019%.<sup>100</sup>

### *Economic Development Results*

Evaluations of the performance of the Olde Schaumburg Center TIF district are premature. The first redevelopment agreement was only recently signed between the Village and Trident Developments and Dodi L.L.C. This agreement followed several years of protracted negotiation and legal maneuvering by the Village to secure the Town Square site. Further, the Village has not provided any financial information on EAV performance within the TIF district. It is quite likely that the TIF district is not appreciating in value because of the stated development delays, but further information is needed to support this preliminary assertion.

In spite of these delays, Schaumburg is likely to enjoy significant results with its TIF district. Several factors seem to support this position:

- The Village is still growing and gaining in affluence;
- The Village's tax base is solid and growing;
- Several acres of available land remain to be developed in the community—both within and outside of the TIF district;
- The Village is not interested in establishing competing TIF districts within its corporate boundaries; and
- The Village is inclined to let development occur via a coordinated and phased-in process.

The Village's cautious and planned approach, as well as a strong market position, along with the neo-traditional design standards, distinguish the Olde Schaumburg area from the remainder of the community and surrounding northwest suburban communities. Each of these factors would seem

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<sup>100</sup>Data Source: Professor Richard Dye. Data on applicable taxing districts levies was only available through 1993.

to establish Olde Schaumburg as a unique development opportunity in accord with prevailing urban design and planning concepts known as “neo-traditional” or “new town” development, the goals of which are to create identifiable, pedestrian-scaled development. Neo-traditional planning and development has become a popular mechanism in suburban communities to create “town squares” within which citizens may socialize, shop, and enjoy various recreational and civic activities.

## **COMPARATIVE ANALYSIS**

The following section presents a comparative analysis of the findings of the suburban Cook County case studies. Specifically, it looks at the following:

- Why Was TIF Selected?
- Planning Context;
- TIF District Funding and Revenues;
- Public Comment;
- Intergovernmental Review;
- TIF Amendments;
- EAV Trends; and
- Economic Development Results; and
- Limitations of Data for Evaluation

### **Why Was TIF Selected?**

The selection of TIF as the most appropriate device to achieve community redevelopment objectives was either project- or problem-driven within the five communities studied. The project-driven TIF districts were specifically implemented to accommodate a particular private development proposal. In these cases, the developers were prepared to make investments in particular areas, provided that the communities could offer inducements to defray certain costs, usually infrastructure improvements.

Problem-driven TIF districts are community initiated. Particular areas were identified by the communities as “problem areas.” Problem areas were usually identified by factors such as structural deterioration and area vacancies. These problem-driven TIF districts were established in an effort to encourage private market investment, where the benefit of such investment has not occurred for a long period of time. The impetus to create these TIF districts is the belief that area public improvements and property investment programs will encourage additional private investment.

According to interviews with municipal officials, TIF was one in a very limited array of state economic development programs available for communities. Furthermore, the demographics of the communities surveyed precluded them from participating in many of the available federal



economic development programs. Among the specific reasons given by the communities for their selection of TIF were:

*Berwyn:* Flexibility of TIF to support area-wide infrastructure improvements and create a financing mechanism for area business facade improvements.

*Franklin Park:* The TIF district was established at developer's request to finance infrastructure improvements, specifically site water drainage problems.

*Homewood:*

- TIF provided a low fiscal impact method to finance area-wide infrastructure problems
- TIF provided the ability to capture excess revenue to complement TIF financed improvements without incurring additional debt.

*Matteson:*

- The TIF district was established at the developer's request to finance infrastructure improvements
- The Industrial Park Conservation Area section of the law was well suited to facilitate the redevelopment objectives of the Village regarding the area.
- TIF Provided incentives for the developer to invest in Matteson, as opposed to a lower tax collar county location.

*Schaumburg:* TIF was a low fiscal impact strategy to facilitate the redevelopment of Olde Schaumburg Town Center

### **Planning Context**

With the exception of Schaumburg, TIF districts were implemented without a broader community planning context. Schaumburg conducted an extensive market and planning study process prior to implementing TIF. However, in the other communities, TIF was targeted to specific problem sites or in response to developer projects. A partial explanation for the apparent lack of broader community planning efforts in some of the survey communities may involve local community capacity issues, such as small or nonexistent planning departments.

TIF was used to address specific site development problems, rather than as a tool to achieve broad economic development objectives. With the exception of tax abatement programs, none of the communities surveyed had a comprehensive and integrated economic development program or policy position in place to complement the use of TIF. Two communities identified TIF as an implementation tool as part of their broader plans.

### **TIF District Funding and Revenues**

TIF district income was used to finance both private redevelopment costs and public improvements that would facilitate the private redevelopment efforts. Information was available

about the use of TIF district income from two of the five communities surveyed. These allocation patterns revealed the following:

***Homewood***

- Started line item budgeting and cost tracking in FY94; previously, the Village kept expenditures aggregated in general "public improvement expenditure" cost centers.
- Between FY94 and FY96, the Village spent \$473,870 in private side improvements through the Village's facade improvement program.
- Between FY94 and FY96, the Village spent \$760,807 in public improvements. This included expenditures for TIF district administration, infrastructure, streetscaping and a revision to the TIF district development plan. We could not ascertain to what extent the public improvements extend onto private property.

***Matteson***

- Between FY88 and FY96, the Village spent \$1,455,885 in private improvements for the renovation of existing structures; these costs were reimbursed by the developer.
- Between FY88 and FY96, the Village spent an additional \$297,293 for private preparation costs.
- Between FY88 and FY96, the Village spent \$1,740,103 for public improvements. This included expenditures for TIF district administration, infrastructure, streetscaping, design costs, street signalization and public lighting. We could not ascertain to what extent the public improvements extend onto private property.

The communities have financed their projects with bond issues payable with TIF District generated income. Where the bond issues were General Obligation Bonds, the full faith and credit of the municipality was used as security for the bonds. The nature of the bond issues was available from four of the five communities:

***Franklin Park:*** Issued \$700,000 in General Obligation Bonds, Series 1989, for both public-side and private-side redevelopment project costs.

***Homewood:*** Issued \$1,000,000 in General Obligation Bonds, Series 1983, for both public-side and private-side redevelopment project costs.

***Matteson:***

- Issued \$4,000,000 in TIF Revenue Bonds for both public-side and private-side redevelopment project costs.
- Issued \$5,000,000 in General Obligation Bonds, Series 1997-A, for both public-side and private-side redevelopment project costs.

***Schaumburg:*** Issued \$28,700,000 in General Obligation Bonds, Series 1995, for both public-side and private-side redevelopment project costs.

State statute requires that "surplus revenues," that is, revenues collected in excess of the amount committed or budgeted in a given year, be distributed to all affected taxing bodies on a pro-rata

basis. All of the communities have a policy of complying with that requirement. The communities surveyed that enjoyed surplus revenues reinvested these funds back into the TIF district. Matteson restructured its development incentive package using surplus revenues to reimburse the developer for investments in public infrastructure improvements. Homewood has used surplus revenue to finance its facade improvement program in its Central Business District TIF district.

### **Public Comment**

There was little citizen involvement and comment in the cases studied. A review of public meeting records revealed that in each community, citizens were present and participated by asking questions regarding the TIF district. The questions typically involved concerns about what impact the TIF district would have on property taxes. Only occasionally was any concern expressed regarding diversion of revenue from overlying governments such as school districts.

### **Intergovernmental Review**

Among the five communities surveyed, only Homewood and Matteson, had an appreciable level of intergovernmental review. All of the communities had some citizen participation at mandatory public meeting held prior to the TIF district adoption.

At least 47 units of government - including at least 13 school districts-overlie the TIF districts in the five communities studied. Of these 47 units of government, only seven indicated any appreciable level of monitoring of the TIF districts in their communities. Of these seven taxing districts, five were located in Homewood and two were located in Matteson, and only one (the Homewood-Flossmoor Park District) was not a school district.

Officials interviewed for this study indicated that there was little or no participation by any overlying taxing bodies. Involvement in the TIF district monitoring and review process comes at the initiative of the concerned overlying entity.

### **TIF Amendments**

The TIF district documents, including Eligibility Reports, Redevelopment Project and Plan Reports and Development Agreements are legal documents. These documents specifically indicate the size and location of the proposed TIF District, community goals and objectives, implementation plans, and how the municipality plans to use TIF district income to complete these goals and objectives. Changes in any of these documents must occur through a formal amendment process.

Typically, communities amend their original TIF district documents to enhance the objectives originally sought, or where factors present in adjacent areas may minimize the success of redevelopment activity in the original TIF district.

Of the five communities surveyed, three amended their original TIF districts - Berwyn, Homewood and Matteson. Berwyn and Homewood's TIF districts were subject to both size increases and budget increases, but the redevelopment objectives remained the same as those found within the original TIF district documents. Matteson's TIF district was not subject to an increase in area size, but was subjected to both budgetary increases and scope of activity amendments.

The Berwyn and Homewood TIF districts added areas that nearly doubled the area of the original TIF districts as well as their budgets. Matteson's amendments formalized the development already occurring within the district and stabilized available income for supporting infrastructure enhancements.

**EAV Trends**

Figures 4-22 and 4-23 below provides an analysis of EAV trends within the five communities. In each case, the performance of the TIF district—in terms of EAV growth on both an aggregate and compound annual rate basis—outpaced EAV growth for the community as a whole.

Figure 4-22

**AGGREGATE EAV GROWTH RATES**

MEASURE	Berwyn	Franklin Park	Homewood	Matteson	Schaumburg
Base Year	1988	1989	1978	1989	1989
% Increase in EAV from Base Year to 1995 in TIF District	55.5%	299.4%	1329.9%	443.5%	267.0%
% Increase in Community-Wide EAV from Base Year to 1995	45.4%	28.3%	102.3%	41.8%	35.3%

Figure 4-23

**COMPOUND ANNUAL EAV GROWTH RATES**

MEASURE	Berwyn	Franklin Park	Homewood	Matteson	Schaumburg
Base Year	1988	1989	1978	1989	1989
Compound Annual Growth Rate in TIF District EAV	6.5%	41.4%	22.7%	32.6%	24.2%
Compound Annual Growth Rate in Community-Wide EAV	5.5%	6.4%	5.6%	6.0%	5.2%

As the figures show, performance within each community varied. Berwyn, which has experienced both demographic and economic decline, showed the weakest growth. EAV growth in The

Berwyn Theater Redevelopment Area outperformed EAV growth for Berwyn as a whole, but just barely. In Berwyn, the data would suggest that either the area would have declined in value, or the TIF district was ineffective. In the other four communities the differences in growth would appear to be significant and the result of the use of TIF.

Homewood's aggregate EAV increase of 1,329% far exceeds each of the other communities' similar data. A partial explanation for this is that the Homewood CBD TIF district has been in place for a significantly longer period of time than the other 4 communities.

EAV growth in the Olde Schaumburg Center TIF district is particularly noteworthy according to both measures because the district has actually had more demolition activity occur than private market redevelopment. Only within the last two years has any appreciable private market redevelopment occurred. The TIF district's strong aggregate and compound EAV increases are most likely attributable to the strong increase in property values in Schaumburg in general, an indication of the municipality's very strong regional market position.

### **The Economic Development Results of TIF**

The use of TIF in each of these communities has primarily been to achieve certain area-wide results. Some of these desired results were very specific, such as the Park Place Parking Systems remote parking lot development in Franklin Park. However, most TIF districts were created to facilitate multiple-use redevelopment activities in large and geographically prominent areas of the surveyed communities. TIF financed public improvements are a typical example of these area-wide improvements. Indirect incentives such as water drainage improvements were allocated to the Park Place Parking Systems group for its project in Franklin Park. TIF funds also allow for developer gap financing and development reimbursement cost, which help make certain Cook County locations attractive to developers. Direct developer incentives were employed in Matteson through reimbursement and gap financing arrangements.

In terms of its actual physical redevelopment, each community had experienced new investment within its TIF district. Common to the communities surveyed were public expenditures that enhanced, improved or replaced infrastructure. Typical activities included street repaving, landscaping, new area public lighting, consolidation of parking areas, utility improvements and water and sewage improvements. In terms of private market investment, the results have been mixed:

*Berwyn:* Berwyn's Theater Redevelopment TIF district has led to the development of four new buildings. One of these buildings replaced the Berwyn Theater which was severely damaged in a fire.

*Franklin Park:* The Waveland-Mannheim TIF district was implemented to facilitate a 500 space surface and structure remote parking operation for O'Hare Airport. The development is complete and the facility is servicing O'Hare travelers.

*Homewood:* Homewood's CBD TIF district has resulted in the development of a new office building and the rehabilitation of two other buildings. In addition to this, the community has consolidated several surface parking areas to service area businesses.

*Matteson:* Matteson's industrial TIF district has resulted in the development and/or redevelopment of several buildings within the district. Three retailers and several service businesses have located within the TIF district. Also, several light industrial and warehouse operations have located within the area. The net result has been the creation of 1400 service and manufacturing positions.

*Schaumburg:* The Olde Schaumburg CBD TIF district has experienced more demolition activity than new private development. However, the Village has contracted with a private developer to begin construction in the southeast quadrant on a large mixed-use office and retail development. At the same time, the Library District is constructing a new regional library, and the Village is in the process of developing community recreation and passive space within the district.

### **Limitations of Data for Evaluation**

The way in which communities kept and presented TIF district data records varied. This variance in reporting standards made it difficult to conduct a consistent evaluation of the TIF districts surveyed. Particularly problematic were the accessibility and quantity of financial information and data on employment retention and growth within the TIF districts. When existent, the data was often incomplete. Another factor contributing to the incompleteness and inconsistencies of data available was the turnover in some communities of staff personnel who were closely familiar with the TIF District. These factors combined to make it difficult to conduct a thorough evaluation of the effects of TIF.

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Richard F. Dye is the Ernest A. Johnson Professor of Economics at Lake Forest College, where he has taught since 1983. Since 1990 he has also been associated with the Institute of Government and Public Affairs of the University of Illinois where he currently is an adjunct professor. Dye received an A.B. from Kenyon College and an M.B.A. and a Ph.D. in economics from the University of Michigan. His dissertation was judged by the National Tax Association to be "The Outstanding Doctoral Dissertation in Government Finance and Taxation" in 1977. Prior to coming to Lake Forest College he taught at Bowdoin College and was a research economist at the Social Security Administration under a Brookings Institution Economic Policy Fellowship.

Since his association with IGPA, Professor Dye's research and public service activities have focused on state and local government finance as it relates to economic development. He is currently directing IGPA's portion of the tax increment financing project. Previously, he directed IGPA's data-gathering effort on the impact of property tax caps on the Illinois collar counties since 1991 - a project that led to a number of research papers and public presentations on the topic. He has also written on voter preferences for the equalization of school property taxes, earmarking revenues for specific public expenditures, the growth and stability of different state revenue sources, and the impact of stadiums and professional sports on local development.

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