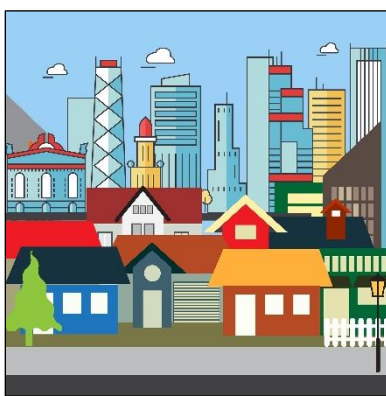




Chicago Land Use: A Guide for Communities



Chicago Land Use: A Guide for Communities is the first publication of its kind. This guide aims to provide individuals, communities, and neighborhoods with practical information on the policies, restrictions, and incentives related to the development and use of land in the City of Chicago. Ultimately, the goal is to empower readers to understand how they can influence and shape important decisions that impact their community.



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This guide is a living document. For any comments, questions, or corrections, please contact Clifford Helm at chelm@clccrul.org.

CHAPTER 2: TAX INCREMENT FINANCING (TIF)

In 2002, the city of Chicago designated an area of West Humboldt Park as a TIF district – and now developers are clamoring for city funding to finance their privately-owned projects. If approved, a developer might get millions of dollars in funding to build new residential housing. Where does this money come from? Why does the city give private developers funding? What is the process for the funding? And at what points can the public weigh in?

This chapter will focus on how TIF districts are created and how exactly they work. We will touch on some of the ways that TIF money can be used, focusing on the city's process for granting funds to private developments. These private developments are usually created with a profit interest in mind – and the process for determining who gets that money is not transparent.

In addition to private developments, TIF funding is used for a number of different types of projects, including:

- Public works projects (streetscapes and lighting)
- Public developments (such as transportation and the CTA)
- Schools
- Job training programs
- Small business loans
- Funding residential housing repairs
- Private developments

Why should I care? TIFs are collected through a special allocation of property taxes from Chicago's residents. The city can spend that money in a number of different ways – but unlike all other financial decisions made by the city, the TIF process is shielded from public scrutiny. Since TIF funds are not considered part of the annual budget, they do not come with the same level of transparency or accountability.

A. Overview of TIFs

1. What is a TIF?

Tax Increment Financing ("TIF") is a tax-based project funding tool used to support both public and private infrastructure projects and economic development. City officials use this tool by creating "TIF districts" in areas that they believe require public investment in order to redevelop and to revitalize it.

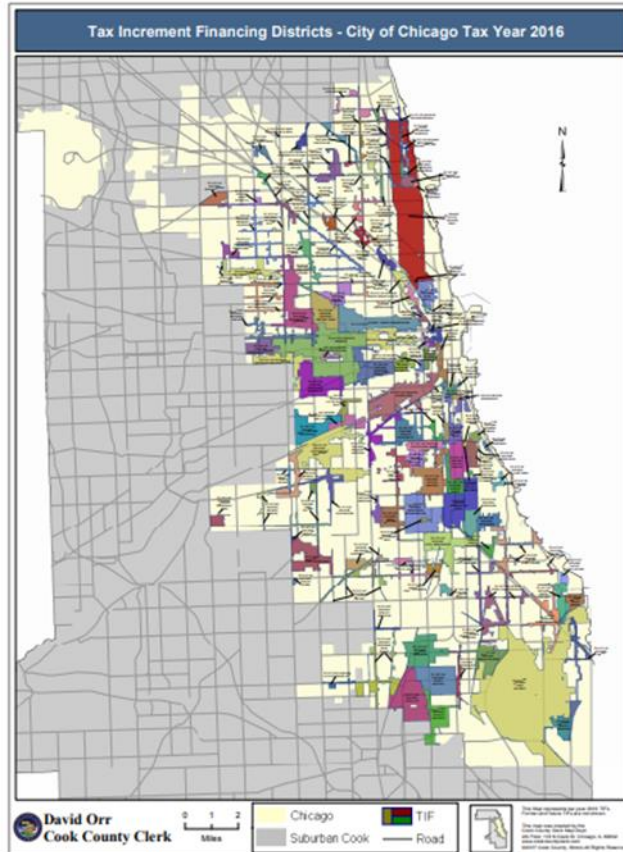
Basically, a portion of property taxes from the TIF district are set aside over a 23-year period to create a separate fund that can be used to finance a variety of projects. These projects include private development, public improvement projects, job training programs, house repairs, and small business funding within that TIF district. In some cases, money from one TIF district can be moved or "ported" to another neighboring TIF district.

TIFs are intended to address "blighted" areas and neighborhoods that are in danger of becoming blighted. For each TIF district, the city creates a written document, called a Redevelopment Plan, which describes the TIF district and outlines the future use of the TIF funds.

By statute, TIFs are supposed to address “blighted” areas and neighborhoods that are in danger of becoming blighted. For each TIF district, the city creates a written document, called a Redevelopment Plan, which describes the TIF district and outlines the future use of the TIF funds.

2. TIF districts in Chicago

This is the 2016 map of TIF districts, taken from the County Clerk’s [website](#):

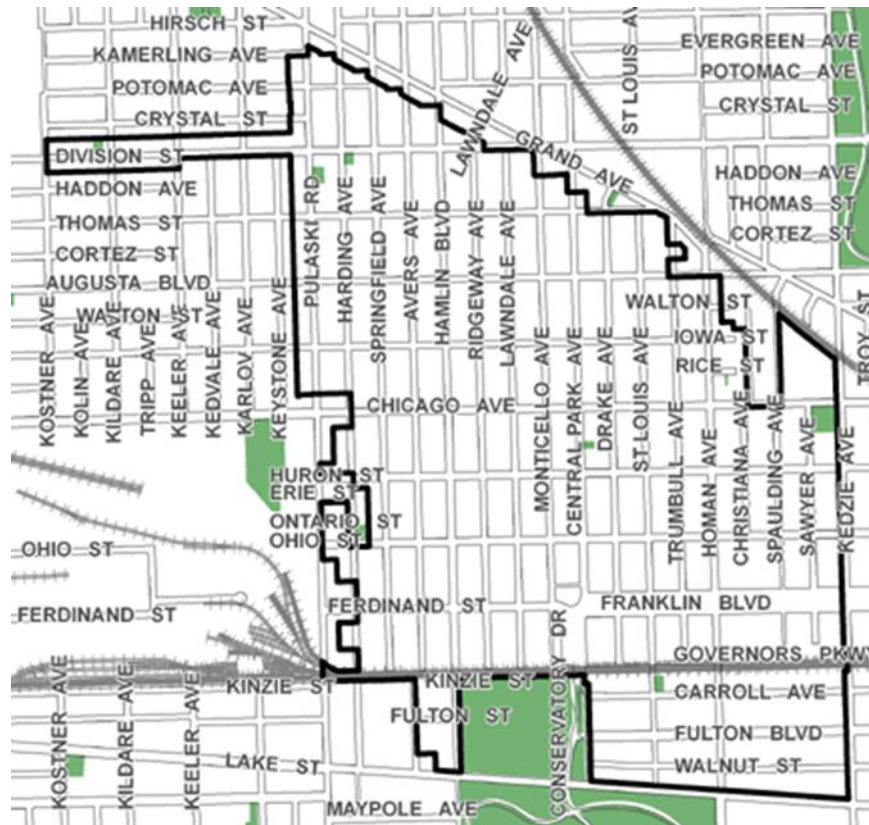


You can find maps of individual current TIF districts, as well as the annual performance reviews for existing TIF districts, on the City of Chicago’s [website](#).¹

Here’s an example of a single TIF district, the Chicago/Central Park TIF district in the Humboldt Park neighborhood, established in 2002 and is set to expire in 2026. This image is taken from the city’s [overview page for this particular TIF district](#).²

¹ <https://webapps1.cityofchicago.org/ChicagoTif/>

² https://www.cityofchicago.org/city/en/depts/dcd/supp_info/tif/chicago_central_parktif.html



3. Annual reports and status reports

The City conducts annual reviews of all existing TIF districts to ensure the districts continue to comply with and accomplish the goals of the Redevelopment Plans, which are available on the city's website. The State of Illinois also conducts a status report within 10 years of a TIF district's establishment. Additionally, Chicago's Department of Planning and Development (DPD) prepares status reports at years 5, 15, and 20 of the TIF's duration. If DPD's review concludes that a TIF district is underperforming or that the goals of the Redevelopment Plan have been accomplished, the City may terminate that TIF designation, and no new TIF funding projects for that district will be approved.

An example of an annual report for the Chicago/Central Park TIF district is [here](#).³

B. How do TIFs make money? How are the TIF funds used?

1. Legal authority and property tax

TIFs are funded by the incremental increase in property taxes. The State of Illinois sets rules for the property tax system, but leaves certain details to the local municipalities, school systems, and other governmental bodies that receive taxes.

³https://www.cityofchicago.org/content/dam/city/depts/dcd/tif/16reports/T_115_ChicagoCentralParkAR16.pdf

To give local municipalities more flexibility to fund redevelopment in target areas, the State created the Tax Increment Allocation Redevelopment Act or “TIARA” (65 ILCS 5/11-74.4). TIARA allows local governments to identify areas that are blighted or in danger of becoming blighted, and to set new rules for collecting property taxes under TIARA’s guidelines. The incremental taxes collected under these new rules are the TIF funds. The local government that collects the TIF funds can then spend those funds by investing back into the areas where it collected them. In Chicago, these funds go through a special process for determining how they are spent – and are not part of the general city budget conversation that occurs in the fall of each year.

TIF funds are spent according to priorities set by the city of Chicago. Private developers, business owners, and homeowners may apply for funding from one of several programs the city funds through TIFs. Many of these programs are relatively straightforward and qualifying for the funds is fairly simple – such as when a small business applies for funds. However, larger grants made for private real estate developments require a more complex process, which will be discussed at the end of this Chapter.

How do TIFs affect my property taxes?

Property owners are not supposed to be directly affected by the creation of a TIF district or TIF fund. But this story is complicated and is the subject of many different reports and analyses. There is an argument, which city agencies disagree with, that establishing TIF districts increases the total property taxes over time owed by property owners across the city.

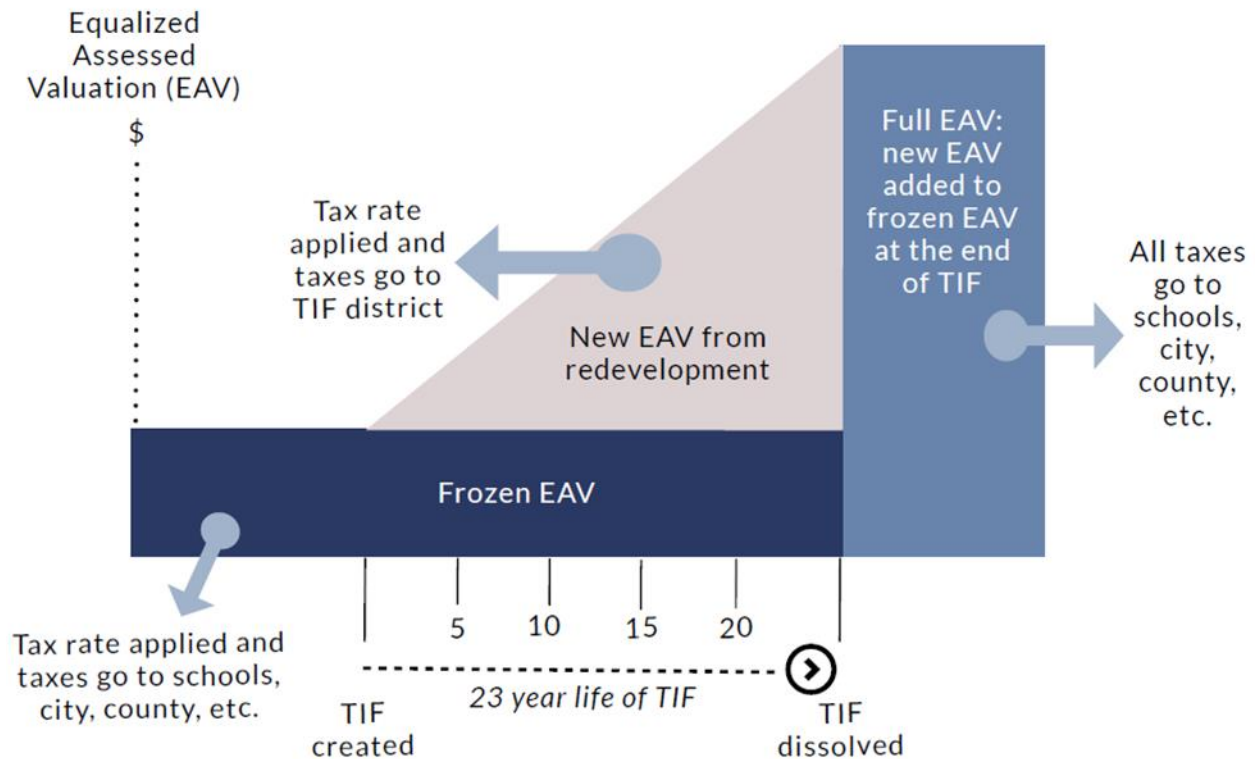
To administer the TIF districts and funds, Chicago engages many different elected and appointed officials through a number of different agencies, including City Council, the Department of Planning and Development (DPD), and the Community Development Commission.

Public engagement in the TIF process can influence the outcome, but rarely results in significant changes. The decision to use TIF funding for a project will typically be made directly between developers, the Mayor’s Office, and a local alderman whose ward includes the TIF district.

2. How do TIFs make money?

TIF funds are derived from the incremental increases in the district’s total property taxes after an area has been designated a TIF district. At the time a TIF district is created, the taxing authority (in this case, Cook County) calculates the total value of all property within the TIF. This value is called the Equalized Assessed Value (“EAV”). The incremental property taxes derived from any increase in property values over that EAV thereafter are sent to the TIF district’s specific fund.

Here is a visual representation of how the incremental taxes are collected:



The revenue generated from a TIF district is mostly restricted to uses within that TIF district. However, the City can use a tool called “porting” which allows them to transfer funds from one TIF district to an immediately adjacent TIF district. As an example, in 2013, the City ported \$320,000 from the Woodlawn TIF to the West Woodlawn TIF to cover the costs of a residential lighting project.

Why should I care? TIFs generate a significant amount of money. In 2017 alone, Chicago generated \$660 million in TIF funding. For more information on total revenue, the Cook County Clerk puts out comprehensive data regarding TIF funds, available at www.cookcountyclerk.com/service/tif-reports

The porting of funds is noted on the overview of the Woodlawn TIF district page, which is [here](#). Not all districts allow porting, and the TIF’s Redevelopment Plan (discussed below) will normally indicate if porting to specific districts is prohibited or allowed.

In 2017, the highest earning TIF district was the LaSalle Central TIF district, a downtown district that generated \$56.7

million. Many districts did not generate any TIF funds in the previous year.

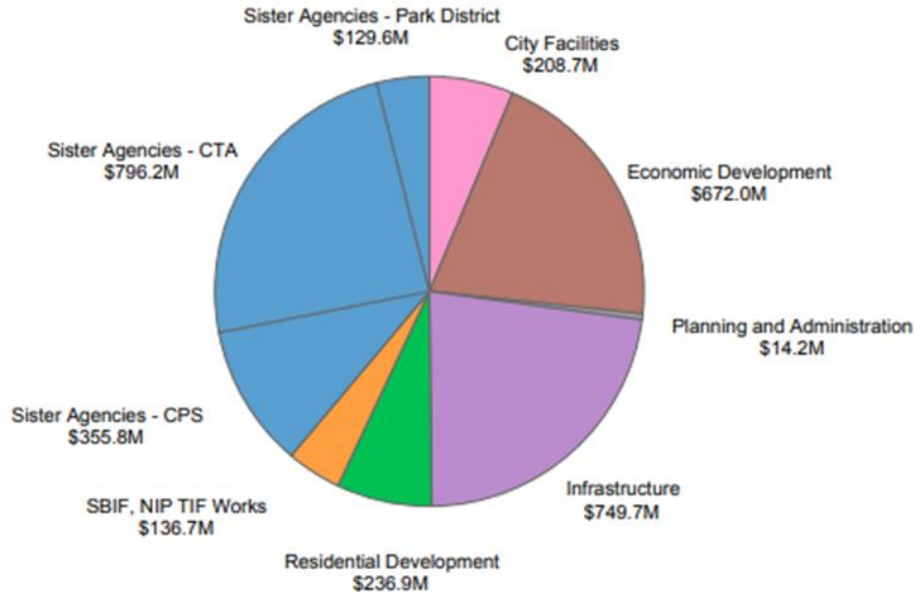
3. How are TIF funds used?

TIF funds can be used for a variety of purposes within a TIF district. These purposes are set forth in each of the TIF Redevelopment Plans. For the most part, Chicago only spends TIF money in specific ways and through designated programs that it sets up. These include:

- Infrastructure and public works projects
- City facilities
- Sister-public agency funding (like schools, transportation, parks, etc.)
- Private developments that address the blighting factors (the city labels these as “Economic Development”)
- Residential development (which can be public, private, or non-profit developments)
- Small Business Improvement Funds
- Workforce Training
- Owner-occupied building repairs
- Building rehab

You can find more information and links to these specific programs at the end of this chapter. These programs cover private development, public development, and economic development projects - the core issues that determine why a TIF district was created in the first place. From 2009-2017, the city reports⁴ spending TIF money as follows:

TIF COMMITMENTS, 2009-2017



⁴ For more information the city's TIF spending, see this report starting on page 105: https://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2019Budget/2018AnnualFinancialAnalysis_CityofChicago.pdf

C. How are TIF districts created?

A TIF district is first created by a variety of administrative agencies and then passed by City Council. Throughout the process, the city must follow the state law governing TIFs (called TIARA), but the decision of whether or not to create a TIF is made entirely by the local municipality – in our case the City of Chicago.

In Chicago, the gatekeepers of the TIF process are the local aldermen, who are given deference to make land-use decisions in their wards through a tradition known as Aldermanic Prerogative or Aldermanic Privilege. If the community desires any input in the process, then both showing up at public meetings and organizing through the alderman is essential. However, it should be noted that in the creation of a TIF district itself, aldermanic privilege plays less of a significant role than in other land use decisions, such as zoning. Frequently, the Mayor plays a significant role in the creation of a district.

The public's involvement in the process is minimal, and community engagement is not required by the state law. Residents may show up at all public meetings and express concerns – but they are not given access to any of the planning meetings or the developer's proposals.

Much of the process is controlled by the creation of the **Redevelopment Plan** which governs the TIF district. This Redevelopment Plan (discussed further below) is generally created by a private agency, normally a private business that specializes or is experienced in development consulting, and then reviewed and approved by the city through the Department of Planning and Development (DPD).

1. Eligibility for TIF districts: blighted areas and conservation areas

To be eligible as a TIF district, an area must qualify as a "blighted" area (already exhibiting blighted characteristics) or conservation area (showing signs that it could become a blighted area).

The state law (TIARA) identifies thirteen characteristics of "blight", and each proposed TIF area must show signs of those characteristics.

There's More: A TIF district may also qualify as an "intermodal transit" area, which have different eligibility and establishment rules than the blighted or conservation areas. The City established its very first intermodal transit area in 2016. The intermodal transit areas follow some different rules and will not be discussed in this Chapter.

2. Eligibility study and Redevelopment Plan

Before creating a TIF district, the city conducts or commissions an eligibility study. That study outlines whether the TIF district exhibits the blighting characteristics required by TIARA and discusses whether the area would see private development without the creation of the TIF district. In addition to the blighting characteristics, the area must satisfy a test that "but for the

TIF district, it would not reasonably be expected to see development.” That test is intended to limit the creation of TIF districts to areas that would otherwise see no meaningful redevelopment or investment.

The eligibility study is almost always conducted by a third-party firm that specializes in land-use and planning. They identify the blighting characteristics of the area and help draw the boundaries for the TIF district based on that research.

In assessing the eligibility of a TIF district, the city is also required to do a “housing impact study” if either (a) 10 families are expected to be displaced by the plan or (b) there are 75 or more residential units in the TIF district. The housing impact study includes data on the number and types of residential units and their racial and ethnic composition, if the units are occupied. The housing impact study must also identify if any of the residents will be displaced by the plan for the TIF District (rather than by rising rents) and outline any relocation assistance plan and costs the city will have to undertake to address the displacement.

Additional Information: The state law lists the following types of expenses as “eligible,” and most TIF Redevelopment Plans will list the same general categories of eligible expenses:

- Studies, surveys, development of plans and implementation of the redevelopment plan
- Administrative costs
- Cost of marketing sites for development
- Property assembly costs
- Rehab and reconstruction of private and public buildings
- Public works improvements
- Job training and retraining programs
- Financing costs
- Relocation costs
- Payment in lieu of taxes (Chicago sometimes uses TIF money to pay the tax required by developers who opt out of the Affordable Requirements Ordinance)

A Redevelopment Plan may be created around the same time, frequently by the same agency that is commissioned for the eligibility study, in coordination with the city. A TIF district’s Redevelopment Plan describes the basis of eligibility of the district for TIF, the city’s development priorities for the district based on the district’s individual needs, and the city’s plans for distributing the funds generated by TIF designation. The Redevelopment Plan generally outlines the acceptable uses of the TIF funds and specifies (1) goals of the TIF and (2) eligible expenses. The eligible expenses will generally mirror what the state law allows TIF money to be spent on. It will go further and outline the expected expenditure

maximums for each type of project in the TIF.

There is no current set structure for the public to engage in a Redevelopment Plan except where the drafters, alderman, or the Department of Planning and Development (DPD) invite the public or individuals to be involved. Even if they hold a public meeting that discusses the district, the

Redevelopment Plan and its contents are not likely to be made public until after a near final draft is created.

Going public: The Redevelopment Plan will usually only be publicly available after the Community Development Commission formally introduces it and sets a schedule for the TIF process. At the end of this chapter there is a list of the formal steps required for establishing a TIF district.

Throughout the lifetime of a TIF district, any project that uses its funds must conform to the goals of the Redevelopment Plan. From time to time, the city may amend the Redevelopment Plan through an ordinance passed by City Council. An amendment does not need to include a new eligibility study or any of the other public process requirements when the TIF first passed. Amendments frequently change the expenditure amounts within the TIF.

Example: Chicago/Central Park

As an example, the Redevelopment Plan for the Chicago/Central Park TIF District is [here](#). The plan lists eight specific redevelopment actions:

1. Encourage infill residential and commercial development.
2. Encourage rehabilitation of commercial and residential buildings through the use of TIF and other rehabilitation mechanisms.
3. Provide assistance to private developers and property owners to facilitate residential and commercial redevelopment projects.
4. Market and promote the Area as a place to live and do business.
5. Improve the appearance of streetscapes throughout the Area.
6. Provide assistance for job training, day care, and other services permitted under the Act (TIARA).
7. Improve public transportation services.
8. Improve or upgrade sewer, water, and other utility lines.

These redevelopment actions are similar, but not identical, to most other TIF districts.

3. Creating a district

Proposal: The process to create a TIF district often begins through informal discussions with the community, the alderman, and the (potential) developers.

The city's formal steps in considering a new TIF district begin with the creation of the eligibility study and the drafting of the Redevelopment Plan.

Public Process: The study and the justification for the TIF district must be made available to the public before the city makes any decision to create it, and a public hearing must be held to discuss the eligibility study and the Redevelopment Plan. The city will make the Redevelopment Plan available (either through publishing it on its website or providing it to anyone who requests it) after it has been introduced at the Community Development Commission, described below.

The city is also required, in most cases, to provide notice by mail to the residents of the area and any residential addresses within 750 feet of the TIF district boundaries before any public hearing is held about the creation of the TIF district. TIARA requires both a public hearing and a Joint Review Board meeting. Each TIF district will have a public hearing at the Community Development Commission prior to being approved by City Council. The city might also discuss the TIF district in other relevant City Council committees (such as the Plan Commission). The city is also required to maintain an "interested parties list" that members of the public can sign up for in order to receive updates on the TIF district. To join the list, you can submit [this](#) form.⁵

Introduction of the Plan, Study Review, and the Joint Review Board: After the study and Redevelopment Plan are created, they are introduced in the Community Development Commission. That meeting will not discuss the plan in detail, but instead set a date for the first formal review at a "Joint Review Board." This board is comprised of public officials from each of the taxing bodies affected by the TIF district (the city, the school district, the county, and any other body that receives tax revenue from the district). In addition, one or more members of the

Public input: The member of the public included in the Joint Review Board is normally picked by the City – probably through the alderman or the Mayor's Office. That person's role at the meeting is limited, but public officials could be lobbied to pick a person that will actively engage in the meeting and ask meaningful questions.

public who live in the affected area will join to discuss the study and the plan. The process for selecting these public residents is not specified by TIARA or by city code.

The group votes on whether, in the Board's opinion, the study and the plan meet the requirements of TIARA. The Joint Review Board's decision is a limited non-binding advisory opinion. Even though the decision is non-binding, the Joint Review Board must meet and review the plan before it can be advanced through the approval process.

The Joint Review Board meetings are open to the public, but there is no opportunity for public comment. It is rare for members of the public to show up in large numbers for the Joint Review Board meeting.

⁵ https://www.cityofchicago.org/content/dam/city/depts/dcd/general/TIF_Interested_Parties_Registry.pdf

Community Development Commission: After the Joint Review Board, a TIF district proposal is then discussed at the Community Development Commission. This meeting is open to the public and there is a public comment period. The Commission will discuss the proposal and redevelopment plan. At the end of the meeting, it will decide whether or not to recommend to City Council that it be approved.

City Council Ordinance: Once it receives the Commission's recommendation, City Council will consider an ordinance that creates the TIF district based on the approved Redevelopment Plan. The City Council meeting is open to the public, but the period for public comment for the entire City Council meeting is limited to thirty minutes.

Public input: The Community Development Commission will probably discuss the TIF district in depth – but focus on the interests and concerns of the commissioners. Public comment can highlight issues of importance to the community members. However, the Commission normally approves TIF district proposals that have already passed through previous steps in the process.

Prior to City Council, the proposal may also go through the Plan Commission and the Finance Committee, which is composed of aldermen rather than appointed commissioners.

D. TIF funding for private development

As mentioned above, TIF funds are used for a variety of programs. A significant portion of the money is spent on private development, which is designed to increase the incremental taxes that fund all TIF projects. These are generally created by a private developer for business or residential projects (or a mix of both). The developer might be a for-profit business that is looking for a return on investment or it might be a non-profit organization that is building affordable housing. When the city provides TIF funding, the developer is receiving a grant of the TIF funds according to a contract with a city. Instead, these subsidies come with restrictions on how the money can be spent, which is outlined in a contract between the city and the developer called a "Redevelopment Agreement."

Directing public TIF funds to private development looks like is one of the more complex pieces of TIF funding – and one that receives the most public scrutiny. When the Mayor recommends a budget for approval at City Council, the TIF spending is not included in that recommendation and is not discussed in the budget hearings. This is by design, in part because the amount of money that will be available is not entirely known.

Instead, these decisions are made through separate processes. For private development, these are through the "TIF Program" or the related "Streamlined TIF Program." Other types of TIF funding have their own specific application and approval processes.

This section will focus on the "TIF Program," which is what the larger private development projects are funded through. There are other ways the city spends TIF money, including programs set up to give money for job training, home repairs, and small business improvements, which are listed in Appendix 2 to this Chapter.

1. Eligibility for TIF Program funds

Most of the TIF-funded developments fit into one of these two examples:

- A for-profit project would not be financially feasible without a TIF grant – and the developer has no financial incentive to do the project.
- A type of project that doesn't generate enough revenue, and therefore needs additional TIF funding to get off the ground (for example, an affordable housing development).

If the project is approved, the city may grant funds to the developer. These funds are normally in the millions of dollars. They are not allowed to be used for the building of a purely private development, but there are many other significant costs associated with larger developments, including purchasing the land, environmental cleanup, and site preparation that are considered to be beneficial for the public and are therefore eligible for TIF funding.

Similar to the process for creating a TIF district, the city will go through a process to create a Redevelopment Agreement (or "RDA") that will be a specific financing contract between the city and a developer who is receiving TIF funding. This RDA, unlike a Redevelopment Plan, is a binding contract with a developer, which specifically outlines the terms required by the city to receive the financing. These contracts look similar to a private financing agreement that a developer might sign with a bank – but they generally do not require the developer to pay back any of the funds unless the developer does not meet the contractual terms of the RDA.

Example: For Profit Project

In 2006, in the 119th/I-57 TIF district, the city provided \$26.6 million in TIF funds to a developer to construct a retail site where there was a vacant industrial building that had been empty since 2000. The site was developed to include Target, Jewel-Osco, Petco, Panda Express and other businesses. The total project cost, including both the city's TIF funds and the total amount spent by the developer, was \$120 million.

Example: Non-Profit Project

In the Chicago/Central Park TIF district, the Nelson Mandela Apartments were funded with TIF money in January of 2016. The project was estimated to cost a total of \$27.5 million, of which the city contributed \$6.5 million. The project created 72 affordable apartments for families earning up to 60% of the area median income. In other residential developments, the development may contain few if any affordable units.

2. Overview of private development process.

Each private developer seeking TIF funds through the TIF Program must submit an application to the city. The developer will usually contact the local alderman about a specific development they are interested in pursuing before they submit their application.

Additionally, most projects will require land use decisions at the Zoning Committee or Plan Commission, which may present opportunities for public engagement.

Here's an overview of the timeline that is included in the TIF Program application:

Public input: Granting TIF funds usually requires negotiating with the Department of Planning and Development (DPD) prior to an approval process of the city. There is no formal mechanism created for public input – but there is a considerable amount of influence held by the alderman, the Mayor, and DPD. The alderman will frequently hold public meetings with the community and the developer to discuss TIF funded projects, particularly if they are larger or if there has been more pressure on the alderman to create a public dialogue. While not required, the alderman's approval is important to DPD in approving the TIF funds.



3. Project eligibility and application

To apply for TIF Program assistance, a developer or community organization must first identify an eligible project. Generally, projects must meet the objective laid out in the TIF's Redevelopment Plan and be unable to raise enough private capital for the project. The projects will apply to DPD through a TIF Program application, which is available [here](#).⁶

Projects are evaluated based on the following criteria:

Program Analysis: To receive TIF financing, an applicant must demonstrate that the project provides public benefits (usually by addressing the blighting characteristics or affordable housing), and that the project has both short-term and long-term viability.

There also may be some weight placed on whether or not the local community supports the project. DPD may require the developer to hold public meetings regarding the proposed development – but these meetings have varying degrees of actual public input. The weight given to community input depends, in large part, on how much the local alderman values it.

Financial and Jobs Analysis: TIF assistance requires proof that the project would not be financially feasible without TIF assistance. An applicant must also demonstrate that the project will create jobs (including temporary, construction, and permanent jobs). The project is also expected to contribute to property taxes.

Special Merit Consideration: In addition, a project will be given special consideration and the amount of TIF assistance may be increased for projects that provide important public services that offset city or other governmental expenditures, or for projects that:

- Meet one of the city's economic development priorities;
- Develop vacant or abandoned sites;
- Provide services otherwise unavailable in an area;
- Respond to specific city requests;
- Redevelop or preserve historic and landmarked buildings and locations;
- Create or retain a significant number and/or quality of jobs;
- Retain or attract a national or regional corporate headquarters or operation center;
- Provide affordable housing; or
- Remediate contaminated properties.

4. Approval process & Redevelopment Agreement

DPD reviews the applications for TIF Program funding. Prior to DPD approving the project, the community is limited in providing input through the local alderman, as the DPD approval process does not require or facilitate any public input.

After DPD approves the application initially, the Community Development Commission will hold a public hearing where the commissioners can ask a developer questions about its proposed

⁶ https://www.cityofchicago.org/content/dam/city/depts/dcd/supp_info/applications/TIF_Application.pdf

project. If approved, the Commission will then allow DPD to negotiate a Redevelopment Agreement or RDA (described further below) with the developer.

During the entire approval process, a developer may also need to present its project at public meetings in the ward(s) where the project is to be built. This process is not mandated but is frequently required by the alderman.

5. Final approval

A Redevelopment Agreement or RDA is a contractual agreement between the city and the developer. It outlines the scope of the project, the money provided by the city, and the requirements of the developer. It is generally negotiated directly between DPD and the developer. It is then approved by the city through the Community Development Commission, the Finance Committee, and City Council.

The RDA will include any requirements relating to construction, jobs, affordable units, environmental remediation, and other standard and non-standard development needs. If the developer does not satisfy the terms of the agreement, the city can “claw back” the money it provided to the developer. This enforcement clause by the city has rarely been used.

Public input: The RDA is the best place for the community to provide and create input in a TIF funded development. Many community organizations have been successful in requesting certain Community Benefits that have then been included in the RDA. The Hatchery, a development in the Kinzie Industrial Corridor TIF district, included a “Community Benefits Agreement” in its contract with the city. Residents pushed for, and won, the rights to use the development space for community focused activities. The developer, DPD, and the community all worked together to ensure that the terms were included in the contractually binding agreement.

6. Providing TIF money

TIF money is normally paid by the city as a reimbursement to the developer, after they have spent the money on the project. Developers that receive TIF money are generally experienced companies with sufficient money to cover the initial costs.

Sometimes the city might provide the funding up front before any of the TIF money has been generated from the incremental property taxes. To do this, the city will sell municipal bonds to investors to raise revenue to cover the cost of the project. That revenue would then be sent to the developer to pay

for the costs of the development. The city, in repaying the purchasers of the bonds at a later date, would take that money from the TIF district funds. This is generally only used for particularly large projects, where funding would be difficult to raise without using municipal bonds.

Additional Information: The community organization “Blocks Together” wanted to create more community involvement in the TIF funding decisions. It worked with the local alderman to create a participatory process in which community members could pitch their ideas for TIF-funded developments, receive feedback from the public, and then the winners would work with the alderman to apply for TIF funding. However, when the winners were identified and sent in their proposals for TIF funding, the city was unable to fund the projects in a workable way. Specifically, the city was only able to do “reimbursement” for the projects, and the community members who proposed the project were unable to cover the up-front costs. Even still – the community approved project (a skate park) was passed by the Community Development Commission in November of 2018 and will hopefully be underway in the next few months but the final details have not yet been resolved.

7. Post-approval compliance

After a project is approved for TIF financing by the City Council, the developer will sign the RDA with the city based on the restrictions and negotiations created throughout the approval process.

The RDA will often require monitoring of the project to make sure that it’s meeting certain performance benchmarks. The city will usually require an annual compliance statement from the developer that the project is in compliance with the terms of its RDA and is meeting its performance goals. If the project is not meeting its performance goals, the RDA may set out that developers must return some or all of the TIF funds. Alternatively, if the returns on the project are greater than projected, the governing RDA will likely require developers to return a portion or all of the TIF funds received.

A developer will also have to comply with construction requirements set by the city. Construction labor must be paid wages that meet the prevailing wage rate established monthly by the Illinois Department of Labor. Additionally, 26% of the costs of construction must be paid to Minority Business Enterprises, and 6% of the costs of construction must be directed to Women’s Business Enterprises. The city also requires that 50% of total construction-worker hours be performed by residents of Chicago.

For residential buildings, the developer will also be required to comply with the Affordable Requirements Ordinance (ARO), which requires a higher number of affordable units for developments that receive TIF funding. The ARO will be discussed in a later chapter of this guide.

E. Conclusion and Community Engagement

The city can use TIF funds to support public and private development in areas that are designated as TIF districts. The system is a flexible tool that allows the city to spend money on projects that it otherwise might not be able to fund directly.

Many communities have expressed frustration at how TIFs work – citing their inability to have any meaningful input in the TIF process. Nonetheless, there have been examples of successful community engagement:

- Some communities have attempted to create a system to coordinate approval of private developments and even foster applications for TIF funding from local residents. These efforts have succeeded in creating meaningful engagement, but still face challenges in funding projects, because the TIF system is designed to fund investment groups that already have capital and can afford the up-front costs.⁷
- Other communities have used Community Benefits Agreement campaigns focusing on housing, jobs, environment, and community use of new projects as a way to require TIF developments to identify and create specific benefits that flow to the existing community. These benefits may be included in the formal TIF documentation, or they may be written down in a separate and binding Community Benefits Agreement.

Because of the TIF system structure, more creative thinking and policy change will be required to meaningfully engage local residents and ensure that TIFs accomplish their stated goal of improving the community where they are located.

⁷ For more information, see Blocks Together's report on Democratizing Tax Increment Financing: <http://www.btchicago.org/wp-content/uploads/2011/10/tif-pb-toolkit-june-2016.pdf>

APPENDIX 1

Useful Links

Are TIFS taking Away Money from the City: <https://danielkayhertz.com/2018/09/20/are-tifs-taking-money-away-from-the-city/>.

City of Chicago Interactive Map: <https://chicago.github.io/afa-2017/TIF/#tif-districts>

City of Chicago TIF Overview Page:
<https://www.cityofchicago.org/city/en/depts/dcd/provdrs/tif.html>

City of Chicago TIF Districts Page:
https://www.cityofchicago.org/city/en/depts/dcd/supp_info/view_tif_districtmapsbyregion.html

City of Chicago Data Portal: <https://data.cityofchicago.org/>

City of Chicago Interested Party Registration:
<https://www.cityofchicago.org/city/en/depts/dcd/provdrs/tif/svcs/tif-interested-parties-registry.html>

County Clerk TIF Reports: <https://www.cookcountyclerk.com/service/tif-reports>

County Clerk TIF 2017 TIFs Overview: <https://www.cookcountyclerk.com/news/cook-county-clerk-david-orr-notes-%E2%80%9Cchicago-tifs-generate-record-561-million%E2%80%9D>

County Clerk Interactive TIF Map: <http://gis1.cookcountyil.gov/tifviewer/>

County Clerk TIF Overview for the City of Chicago:
<https://www.cookcountyclerk.com/sites/default/files/pdfs/w.%202017%20Chicago%20TIF%20Summary.pdf>

“Democratizing Tax Increment Financing,” Blocks Together: <http://www.btchicago.org/wp-content/uploads/2011/10/tif-pb-toolkit-june-2016.pdf>

TIF Reform Task Force Report:
https://www2.illinois.gov/rev/research/taxresearch/Documents/TIF_Reform_Task_Force_Report.pdf

APPENDIX 2

TIF Process and Relevant Agencies

Action	Relevant Agency	Public input
A TIF district is proposed (usually by an Alderman, a developer, or the Mayor)	Initially reviewed by DPD and elected officials	<ul style="list-style-type: none"> Engage with Alderman
TIF district eligibility study =	Department of Planning and Development, Community Development Commission	<ul style="list-style-type: none"> Public meeting at Community Development Commission Engage with Alderman
Redevelopment Plan is Drafted by DPD or a commissioned private agency	DPD	<ul style="list-style-type: none"> Engage with DPD or the Alderman
Advisory Recommendation from Taxing Bodies on Study and Plan	Joint Review Board	<ul style="list-style-type: none"> Public meeting but no comment One member of the Joint Review Board will be a will be a resident of the proposed TIF District
Public hearing of the proposed TIF District and the Redevelopment Plan at Community Development Commission	DPD presents the details to the Community Development Commission	<ul style="list-style-type: none"> Public hearing Public comment taken Alderman is engaged in the process
TIF District Established at City Council	City Council	<ul style="list-style-type: none"> Public comment at all City Council and Committee meetings Engage with Alderman
TIF funding Proposals and Decisions for Private Development	Department of Planning and Development	<ul style="list-style-type: none"> No public process Engage with Alderman
TIF funding Review and approval of Private Development Proposal	City Council, Community Development Commission, Finance Committee	<ul style="list-style-type: none"> Public comment at all City Council and Committee meetings Engage with Alderman

APPENDIX 3

TIF Funding Programs

Program Name	Overview	Responsible Agency	Approval Required	More information
Tax Increment Financing Program	Most private developments using TIF funding	DPD	DPD, Community Development Commission, and City Council	Link
Streamlined TIF Program	Lower cost developments streamlined application	DPD	Community Development Commission and City Council	Link
TIFWorks	Funds workforce training programs	DPD	DPD	Link
Neighborhood Improvement Fund	Home repair grants	DPD and Neighborhood Housing Services	DPD and Neighborhood Housing Services	Link
Multi-Family TIF Purchase-Rehab Program	Funding developer purchases of vacant and foreclosed rental buildings	DPD and the Community Investment Corp	DPD and the Community Investment Corp	Link
Retail Thrive Zones	Funding for rehabbing commercial buildings in certain areas	SomerCor 504 and DPD	SomerCor 504 and DPD	Link