

Illinois PIRG

**Standing Up
To Powerful Interests**

Shining a Light on Tax Increment Financing in Chicago

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Executive Summary

This report gives an initial snapshot of how well the Mayor's office is doing in introducing transparency to tax increment financing (TIF) by examining how well critical information has been made available on the TIF transparency website. Specifically, we looked at whether or not the City of Chicago is complying with the "TIF Sunshine Ordinance," which was passed in April of 2009.

We found that while great progress has been made, in other ways little transparency has been achieved.

Overall, the City does a good job of posting information on the front end about the creation of a TIF district or project. But the City fails at showing the public that they are adequately holding developers accountable to the goals set forth in the agreements, because many of the documents that serve this purpose are missing from the website. For example 0% of the TIF projects have annual employment certifications posted online- the document that is used to certify the number of jobs that were created and/or retained by a specific project.

The biggest shortfall of the TIF website is that there is no easy way for the public to "follow the money." There is no document or tool online that connects individual expenditures with specific projects, which makes it impossible for the public to know who is receiving money, what they are spending money on, or how much money is being used for which specific projects within the TIF district.

In the next year, the City of Chicago should strive to improve the TIF website to improve transparency and accountability online. They should continue to develop innovative functions that not only elevate transparency, but also encourage citizen involvement. The City can do this through three easy steps: make it comprehensive, make it searchable, and present detailed accounting.

Introduction

Local and state governments sometimes use subsidies to encourage the redevelopment of economically challenged areas. Tax-increment finance (TIF) has been an increasingly common tool used for this purpose. TIFs allow cities and towns to borrow against future tax revenues from an area in order to invest in immediate infrastructure or development projects.

When a TIF district is created, it freezes the taxable value of property under a TIF agreement with a developer for 23 years, diverting any additional revenue that results from increased property values or new development into a separate fund overseen by the city. Generally, TIF money is to be used for community improvement, such as affordable housing development, improving parks and schools, fixing basic infrastructure, putting vacant land to use, creating well-paying jobs, and meeting other local needs.

No other mayor embraced TIFs more than Chicago's previous mayor, Richard M. Daley. By the time he left office in May 2011, there were 160 TIF districts covering one third of the city.¹ With this growth in TIFs in Chicago, there has been increased attention paid to the use of TIFs and the concern that the funds collected were being misappropriated for projects that didn't meet their intended purposes. For example, concerns have been raised that that much of the money created through TIF has been used to develop areas in Chicago least in need of economic revitalization, give lucrative subsidies to major corporations and developers, and reward loyal aldermen -- all while diverting future tax revenue increases from the truly blighted areas that need them the most.

¹ <http://www.chicagonewscoop.org/chicagos-1-7-billion-in-tif-spending-aided-public-and-private-projects-almost-evenly/>

Until recently, much of the raising and spending of money through TIF was done behind closed doors, leaving little ability for the public or even public officials to properly evaluate the projects and use of public dollars. Thanks in large part to muckraking journalism, such as the *Chicago Reader's* "Shadow Budget" series, public awareness about the abuse of TIF dollars has increased, as has the demand for reform. In response, many elected officials, including the new administration, have been calling for increasing transparency and accountability of TIFs. Mayor Emanuel even appointed a TIF Task Force who recently submitted [their recommendations](#) for how to reform TIFs in Chicago.

This report gives an initial snapshot of how well the Mayor's office is doing in introducing transparency by examining how well critical information has been made available on the legally mandated TIF transparency website. We found that while great progress has been made, in other ways little transparency has been achieved.

TIF Sunshine Ordinance

Transparency is an essential element of any democracy. The public's ability to see how the City of Chicago spends TIF money can check corruption, bolster public confidence, and promote responsible use of public money.

In April 2009, the Chicago City Council adopted by a 48-0 vote an ordinance introduced by Alderman Scott Waguespack (32nd Ward) and Alderman Manny Flores (then 1st Ward). The "TIF Sunshine Ordinance" requires that a set of documents related to tax increment financing districts be made available to the public online. The goal of this ordinance was to increase the transparency around TIF, shine a light on its use and abuse, and give the public an opportunity to become informed and engaged. Prior to the passage of this legislation, anyone seeking TIF information had to go through a lengthy process of submitting a Freedom of Information Act (FOIA) application.

2-24-155 Tax Increment Financing (TIF) Sunshine Ordinance.

The following TIF-related documents for each active TIF district shall be made publicly available on the City of Chicago, Department of Community Development website:

1. The ordinances establishing each TIF district, including all attachments, and any amendments thereto;
2. The ordinances authoring each TIF redevelopment agreement, including any attachments, any amendments thereto and accompanying Economic Disclosure Statements;
3. Written staff reports presented to the Community Development Commission related to TIF-funded projects;
4. TIF overviews prepared by the Department of Community Development and annual reports prepared pursuant to 65 ILCS 5/11-74.4-5 (d)
5. City-issued Certificates of Completion and any required annual employment certifications prepared pursuant to TIF redevelopment agreements.

In order to comply with the ordinance, for each TIF district the city is required to post:

- the designation ordinance that was passed through the city council establishing the TIF district
- a TIF overview (redevelopment plan), which includes the histories, goals, and redevelopment expenses for the TIF district
- an annual report.

For each individual project within a TIF district, the city is required to post:

- a redevelopment agreement, which is the contract between the developer and the City that provides detail about the project, including cost and public benefits.

- an Economic Disclosure Statement (EDS). The City of Chicago requires an EDS from anyone seeking action from the City Council -- including developers entering into Redevelopment Agreements. Through the EDS, applicants make disclosures required by State law and City ordinances and certify compliance with various laws and ordinances.
- written staff reports from the Community Development Commission, which is a 15-member board that recommends action on TIFs and the sale of city-owned property.
- certificates of completion. This document is issued by the City of Chicago when a project is complete.
- annual employment certifications. This is a report that a developer or contractor would have to submit if the redevelopment agreement called for them to maintain a certain number of jobs. For example, within the Pilsen TIF district is a project called “2431 S. Wolcott.” Within the redevelopment agreement for this project it reads, “The Developer shall use best efforts to retain 428 full-time equivalent, permanent jobs and create 61 new full-time equivalent, permanent jobs at the Project within twenty-four months of the completion thereof.” One of the mechanisms to ensure that the Developer is retaining and creating these jobs is with an employment certification.

Analysis of TIF Website

To understand how well the Mayor’s Office is fulfilling its promise to reform TIFs through greater transparency, we looked at its official website (<http://www.cityofchicago.org/TIF>).

Overall, the City of Chicago’s TIF website is easy to use. Most of the documents are grouped by individual TIF districts and projects, and the TIF districts themselves are grouped by geographic area, making them easy to find. The documents are somewhat cumbersome and difficult to navigate since all of the documents are non-searchable PDFs, some over 200 pages.

There is information available online for 169 TIF districts. The documents in the table below were considered “online” if they were available as a separate, clickable link. As you can see from the table below, most of the documents that are required by the TIF Sunshine ordinance for TIF districts are available online. 80% of the TIF districts have designation ordinances posted online, 99% have a redevelopment plan and 95% have annual reports. The City has even included Projection Reports and Balance Sheets for most TIF districts, 92% and 95%, respectively, which are not required by the ordinance.

Data for TIF Districts

	Designation Ordinance	Redevelopment Plan	Annual Report (2010)	Projection Report	Balance Sheet
Total of the 169 TIF districts posted online	136	168	161	156	160
Percent of total	80.47%	99.04%	95.27%	92.31%	94.67%
Required by ordinance?	Y	Y	Y	N	N

Each TIF district can contain multiple projects. There is information available online for 237 specific projects. The total number of projects is unknown. The documents in the table below were considered “online” if they were available as a separate, clickable link.

As you can see from the table below, many of the documents that are required for each TIF project are missing. Additionally, the public can't be sure how many projects are supposed to be listed for each individual TIF district, as it is not indicated anywhere. 95% of the projects have redevelopment agreements, while only 30% of them have economic disclosure agreements. The CDC staff reports are only available for 46% of the TIF projects, while only 16% of the TIF projects have a certificate of completion. Zero percent of the TIF projects have annual employment certifications posted online.

Data for TIF Projects

	Redevelopment Agreements	Economic Disclosure Statements	Community Development Commission Staff Report	Certificate of Completion	Annual Employment Certification
Total of the 237 TIF projects posted online	224	71	108	38	0
Percent of total	94.51%	29.96%	45.57%	16.03%	0%
Required by ordinance?	Y	Y	Y	Y	Y

Particularly troubling is the lack of transparency in some critical areas. The posting of merely 30 percent of economic development agreements is a serious shortcoming. Similarly, despite the fact that CDC Staff Reports are required for every project, only 46% of projects comply with this legal requirement. While it is unclear how many projects are completed, only 16% of the projects have certificates of completion posted online. Unfortunately, for all of the projects that include a jobs clause, it is not posted online whether the project successfully created and/or retained the jobs outlined in the redevelopment agreement, so the public has no idea whether or not this part of the agreement was fulfilled for any of the projects.

The documents above are key parts of how the city holds developers and contractors accountable to the agreements that they make with the City of Chicago. The City does a good job of posting information on the front end about the creation of a TIF district or project. But the City fails at showing the public that they are adequately holding developers accountable to the goals set forth in the agreements.

Overall, the biggest shortfall of the TIF website is that there is no easy way for the public to “follow the money.” There is no document or tool online that connects individual expenditures with specific projects. The balance sheets that are provided by the City do not give a lot of details, which makes it impossible to know who is receiving the money, what they are spending money on, or how much money is being used for which specific projects within the TIF district. The public cannot look at the balance sheet and answer the question, “where is the subsidy?” or determine if the plans set forth in the redevelopment agreement are taking place.

Recommendations for improving website

In the next year, the City of Chicago should strive to improve the TIF website to improve transparency and accountability online. They should continue to develop innovative functions that not only elevate transparency, but also encourage citizen involvement. The City can do this through three easy steps:

1. Make it comprehensive: The City should put 100% of each of the documents that are required in the TIF Sunshine Ordinance online, especially the documents that are essential in ensuring that

the City is holding developers accountable for the goals set forth in the redevelopment agreements.

2. **Make it searchable:** Transparent information is only as useful as it is easily accessible, which means easily searchable. The City's TIF website should offer a range of search functions that allow the public to navigate cumbersome documents with a single click.
3. **Present detailed accounting:** In addition to having a balance sheet for every TIF district, the City should post balance sheets for every TIF project with a clear, detailed accounting of the money allocated for each project, including how the money is being spent, and who is receiving it.

With continued progress toward transparency of TIF in Chicago, citizens in the not too distant future will be able to feel confident in knowing that each tax dollar used for TIF is accounted for and being used for its intended purpose.