ANALYZING THE ENGLEWOOD NEIGHBORHOOD TIF IN CHICAGO

A Community-based Service Learning Project in conjunction with Professor Sumi Cho’s Race, Racism & U.S. Law course (Spring 2014) and community partner organizations Residents Association of Greater Englewood (R.A.G.E.) and Civic Lab

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Preface

A. DePaul Steans Center & Community Based Service Learning: DePaul University has been recognized as one of the top twenty-five institutions of higher education for service learning.\(^1\) Through the Steans Center for Community-based Service Learning, DePaul places over 3000 students a year in civic engagement projects designed to inspire students to make a lifelong commitment to social justice oriented learning through service.\(^2\) The Steans Center seeks out established community organizations to develop quality projects that are mutually beneficial to the organization and university. Professors who adopt CbSL components to their courses seek reciprocal projects consistent with their course’s learning objectives that facilitate active student participation in organized community projects. The in-class text and lecture-based learning and out-of-class service learning are designed to complement one another.

B. ABA Requirements and DePaul’s Third Year in Practice: While most of DePaul’s CbSL courses are outside of the College of Law, legal education is placing a greater emphasis on experiential learning. The ABA Standards Review Committee recently passed a requirement that all law students complete at least 6 credits of experiential learning--clinics, externships, or simulations.\(^3\) DePaul’s College of Law recently implemented a Third Year in Practice (3YP) program beginning with the incoming 2014-15 class that allows students to spend their third year in practice. Participating students will spend most of their third year closely supervised by a practicing attorney, judge, or faculty member in conjunction with select government agencies, nonprofits, judicial chambers, and law firms.\(^4\)

C. Course Learning Objectives: The CbSL affiliated course is Race, Racism & U.S. Law taught by Professor Sumi Cho in the Spring of 2014. Its learning objectives include:

1. To understand how case law, legislation, the administration of justice, and state sanctioning of extra-legal force have profoundly affected people of color in the U.S., not only by impacting their constitutional and civil rights, but also by overdetermining their engagement with civil society.

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\(^1\) For more information on DePaul’s service learning recognition, see http://www.depaul.edu/about/Pages/rankings.aspx.

\(^2\) For more information on the Steans Center, see https://steans.depaul.edu/.


\(^4\) For more information on DePaul’s 3YP, see http://newsroom.depaul.edu/newsreleases/showNews.aspx?nID=2715#sthash.tr7ovzIl.dpuf.
2. To be able to articulate how “race” and “law” have been co-constitutive in the United States.

3. To gain familiarity in applying critical race theories and concepts (such as “interest convergence,” “whiteness as property,” and “racial compromise”) to U.S. legal history and legal institutions.

4. To develop an applied understanding of the structural and cultural barriers to racial and social justice in the Chicago context using a case study of tax increment financing in the Englewood neighborhood.

5. To identify how legal professionals might work with communities to empower themselves with data and education on issues of racial and social justice.

D. Community Organizations

1. Resident Association of Greater Englewood (R.A.G.E.): R.A.G.E. is a resident-funded and run organization that is comprised of members who live in all six wards of the Greater Englewood area. Asiaha Butler is the current President of R.A.G.E. Members are homeowners, professionals, grandparents, parents, students, business owners, and stakeholders who seek to counteract stigmatizing stereotypes about Englewood. R.A.G.E. has three organized work groups on Economic Development, Education & Youth Development and Civic Engagement.  

2. Civic Lab: The Civic Lab, organized by activist and educator Tom Tresser, seeks to enhance civic engagement among Chicago residents through collaboration, education, and education. Civic Lab’s motto to service is “Investigate. Fabricate. Educate. Activate.” The Tax Increment Financing (TIF) Illumination Project is an ongoing civic education project that investigates the impacts of TIFs on the city on a ward-by-ward basis.

E. Projects Defined: The CbSL Project Team met in person with leaders of each community partner organization. The first meeting took place with Asiaha Butler (President, R.A.G.E.) at DePaul Law School on February 19, 2014. The second meeting was held with Tom Tresser at Civic Lab at 114 N. Aberdeen St. on March 5, 2014. Additionally, individual members of the DePaul CbSL Project Team attended R.A.G.E. community meetings on January 21, 2014 and February 28, 2014. Through these conversations and follow-up communications, the Project Team in consultation with Prof. Cho identified the following priorities for the project research.

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5 For more information on Resident Association of Greater Englewood, see http://raginglewood.org/about/.

6 For more information on the Civic Lab and the TIF Illumination Project, see http://www.civiclab.us.
### F. Table 1: DePaul CbSL Division of Labor Chart: Analyzing the Englewood TIF (Spring 2014)

<table>
<thead>
<tr>
<th>Name/Title</th>
<th>Description</th>
<th>End Work Product</th>
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| **Maura Mitchell/Accounting Firm and Private Recipients** | Interview the Auditors of TIF financials—What do auditors do? What are the best practices of auditors? Research the Private Recipients of Englewood TIF funds—Who are the businesses? What industry segments are they in? What did they do with the TIF funds? | Interview Summary  
Research Summary  
FAQs |
| **Nelson Dunlap** | Research statutory background of TIF funding  
Locate any judicial challenges to statute controlling TIF districts | Document/brochure demystifying TIF statute in plain English terms  
“Infographic” of possible statutory remedies |
| **Paige Esterkin & Del Madani/Data Analysis** | Analyze TIF spending from 2011 and 2012  
Input data into spreadsheets | Updated spreadsheets with data so that they can be used to create an up-to-date infographic |
| **Dina Rabaa** | Analyze the public side of TIF spending, esp. how TIF money was being spent in public schools. Research why schools who received TIF money still shut down and what they money was used for and how was it not successfully utilized? Assess distribution of public funds and the expenditures going to charter schools. Interview teachers and public school officials regarding how TIF money is utilized. | Interview summary  
Summary of how TIF money was being used for public schools and why they still shut down.  
Also, summarize research of how some schools successfully used their TIF money.  
Finally, summarize how we can move forward in the future to help public schools succeed with utilizing TIF money. |
| Max Suchan | Research alternative models (both in other neighborhoods in Chicago and nationally) on community involvement with TIF spending. Have there been processes put in place where community residents are actually consulted and decisions made more democratically? Lay the groundwork (research and resident interviews) for drafting community benefit agreements based on the needs and desires articulated by Englewood residents. | Summary of interviews with Englewood residents articulating what they would like to see done with existing TIF spending projects. Summary of alternative models in other communities dealing with TIF spending. Concrete proposals made for increased democratic participation in these decisions. Proposals (in an actual draft format) for what needs to go into community benefit agreements with Whole Foods and the Englewood Mall Project. |

F. Acknowledgments: The CbSL Project Team and Prof. Cho are grateful to the Steans Center Executive Director Howard Rosing for his gracious support of this project and to Mr. Egan Office of Urban Education and Community Partnerships Director John Zeigler for his excellent coordination with community partner organizations. Our community partners generously shared their time and expertise to provide the background and context to the project and to clarify the various questions team members had along the way. At RAGE, Asiaha Butler was extremely helpful and responsive to student inquiries about the project. She dynamically represented the organization and elaborated the project for the CbSL Project Team. The RAGE members generously provided time for interviews with Max Suchan and also graciously welcomed the CbSL Project Team at a meeting where they provided very thoughtful feedback on the initial presentation of this Final Report. Despite coordinating scores of volunteers, Tom Tresser at Civic Lab skillfully and efficiently provided his deep knowledge of TIFs and his grassroots organizing model that inspires the TIF Illumination Project. Mark Giangrande was our “go-to” research librarian who was fundamental in assisting with our overall research strategies. Lawrence Arendt provided unfailing administrative support throughout the project.
Introduction to Analyzing the Englewood TIF

This report attempts to synthesize and simplify the often inaccessible and non-transparent process that is TIF funding in the city of Chicago. There are five parts. In Part I Maura Mitchell provides answers to frequently asked questions about TIF operating procedures—i.e., how TIFs are funded, expended, and audited. Nelson Dunlap provides a guide to some of the common beliefs vs. realities about TIFs that might be useful to Englewood residents in Part II. In Part III, Paige Esterkin and Del Madani analyzed the City of Chicago website for TIF spending to interpret entries and add them to an existing dataset the two most recent years of expenditures for the Englewood Neighborhood TIF to the dedicated Wiki site of Civic Lab’s TIF Illumination Project. They also provided suggestions for making the city’s website more user-friendly and comprehensible to those seeking information on TIF budgets and expenditure. Dina Rabaa takes a closer look at TIF spending on public schools in Part IV and the types of schools that tend to get TIF funding. Max Suchan brings together research on policies and practices on TIFs in other communities in Part V and suggests some “best practices” to promote greater community involvement in the TIF process. The six authors of this Final Report hope to equip Englewood organizers with information to further an important community discussion so that Englewood residents can decide how next to act.

I. Introduction to TIF Accounting: Frequently Asked Questions:

A. Methodology and Sources

The compilation of the Frequently Asked Questions was a result of research into the financial aspects of Tax Increment Financing (TIF). Part I discusses the TIF financials and project tracking. Accessing audit information was challenging and required navigating various steps: (1) contacting Bansley and Kiener, the auditors, on March 27, 2014, who referred the Part I author to the City of Chicago’s Department of Planning; (2) contacting the Department of Planning staff who suggested contacting the Comptroller’s office; Finally, (3) contacting the Comptroller’s Office where a staff member requested that questions be e-mailed to doffioa@cityofchicago.org in order to comply with the Freedom of Information Act. As requested, questions were submitted on April 14, 2014 and as of the date of this Final Report, no answers have been received.

The Part I author also met and interviewed a City of Chicago “expert” in TIF from the Department of Planning.1 During that interview, the Part I author explained the context of doing research for R.A.G.E. as a law student, thus framing the questions from the perspective of an Englewood resident eager to receive answers and give input on TIF projects in Englewood. The expert contact seemed willing to share anything she knew.

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1 Interview with Tricia Ruffolo, Financial Planning Analyst, City of Chicago Department of Planning and Development (April 4, 2014).
The conversation started from “square one” asking basic questions about TIF districts, TIF projects, and the TIF Financial Statements and then proceeded to also get some detailed information on the TIF approval process and TIF project tracking. To supplement the interview, refer to the other resources that are listed in the bibliography.

B. Takeaways

The City is working on a transparency program for Tax Increment Financing but there is a great deal to accomplish:

(1) Porting and Surplus need to be more understandable. Right now, porting between districts and taking surplus from districts detract from the original purpose of a TIF district. A TIF district is approved with a specific redevelopment plan in mind and if money is transferred from one TIF district to another, it changes the plan.

(2) The TIF Portal and Projections are useful to help determine what is occurring in the local neighborhood but what would be more useful would be a database of projects in a TIF district that includes: the name of TIF, ward #, amount of TIF award, name of project, purpose of project, address, name of developer, and the date of the award.

(3) The City seems willing to discuss the issues but there is still some secrecy that pervades, especially pertaining to the financial audit.

C. TIF Questions & Answers

Q. What is Tax Increment Financing (TIF)?
A. TIF is a popular funding tool used by municipalities across the country to promote economic development and public improvements within specific geographic areas. In the City of Chicago, TIF is used to promote economic development in the poorest and most blighted communities. 65 ILCS 5/11-74.4-2.

Q. How does TIF work?
A. TIF calls for local taxing bodies to make a joint investment in the development or redevelopment of an area, with the intent that any short term gains be reinvested and leveraged so that all the taxing bodies will receive larger financial gains in the future. The funds for this investment do not come from current revenues, but from future tax revenues, not otherwise expected to occur. These new revenues are generated by increased public and private investment in identified, underperforming, areas. Illinois state law allows the designation of a TIF district by local governments.

Under state law 65 ILCS 5/11-74.4-3, areas proposed for TIF designation must possess numerous blighting factors to be eligible:
• Age
• Obsolescence
• Code violations
• Excessive vacancies
• Overcrowding of facilities
• Lack of ventilation, light, sanitary facilities

• Excessive land coverage
• Inadequate utilities
• Deleterious land use or layout
• Lack of physical maintenance
• Lack of community planning
• Dilapidation or deterioration

TIF is not available for new construction unless the project is a public facility. If there is private new construction, then TIF funds can be only be used for underground improvements or acquisitions.

And then pursuant to the Illinois Tax Increment Allocation Act, (the “Illinois TIF Act”) (65 ILCS 5/11-74.4-1 through 11-74.4-11), the plan must be approved by the Community Development Commission (CDC), Public Meetings, and the Joint Review Board.

Q. Where are TIF districts located in Chicago?
A. There are 151 TIF districts located all over the City of Chicago. To see a map of the TIF districts and projects consult: http://webapps.cityofchicago.org/ChicagoTif/

Q. What if property taxes don’t increase?
A. If property taxes don’t increase then the TIF has not worked as predicted, most likely due to an unforeseen economic downturn.

Q. Can a TIF district be terminated?
A. Any TIF district may be terminated earlier than the usual 23-year term if all financial obligations are paid and the municipal board votes to terminate the district.

If no redevelopment project has been initiated within a TIF district within seven years following a district designation, the municipality must repeal the TIF. Upon termination of the TIF district, the full tax base, including the increment which had been used to pay for improvements, becomes available to all taxing bodies for their use throughout the future.²

D. TIF Funds

Q. What can TIF funds be used for?
A. TIF Funds can be used for the redevelopment of blighted areas. Since the Federal and State governments have greatly reduced their support for local economic development, Tax Increment Financing helps local governments attract private development and new businesses using local resources that do not depend upon an increase in taxes or the reduction of other services.

The Illinois TIF Act generally authorizes that TIF funds may be used for:
- The administration of a TIF redevelopment project.
- Property acquisition.
- Rehabilitation or renovation of existing public or private buildings.
- Construction of public works or improvements.
- Job training.
- Relocation.
- Financing costs, including interest assistance.
- Studies, surveys and plans.
- Marketing sites within the TIF.
- Professional services, such as architectural, engineering, legal and financial planning.
- Demolition and site preparation.³

Q. Can TIF funds be used to build new schools?
A. Yes, TIF is available for new construction if the project is a public facility. Schools are public facilities.⁴

Q. How do TIF district residents know how much of their money is going towards the TIF?
A. TIF spending will now be a line item on property tax bills.⁵

E. TIF Financial Statements

1. TIF Balance Sheet

Q. What are the TIF assets?
A. The balance of funds that have not been used for projects yet.

Q. What are the TIF liabilities?
A. The liabilities in the 2012 Englewood Neighborhood TIF Annual Report include such items as: payments that have not yet cleared the Comptroller’s office, the Due to City Funds category includes transfers from one fund to another, and deferred revenue which is anticipated tax revenue determined when the levy was established, but the payments have yet to be collected.


⁴ Interview with Tricia Ruffolo, Financial Planning Analyst, City of Chicago Department of Planning and Development (April 4, 2014).

⁵ Interview with Tricia Ruffolo, Financial Planning Analyst, City of Chicago Department of Planning and Development (April 4, 2014).
2. Income Statement

Q. What is the TIF income?
A. TIF Income consists of interest on the assets and Incremental Property Taxes in the area.

Q. What are the TIF expenses?
A. TIF Expenses consist of the project costs. Costs are explained in the Schedule of Expenditures by Statutory Code in each TIF’s Annual Report that is supposed to be filed according to 65 ILCS 5/11-74.4-5 (d).

Q. What is the TIF surplus?
A. As per the Mayor’s Executive Order No. 2013-3, signed on November 8, 2013, on an annual basis, any revenue in a TIF district that is not being used or designated for existing projects, financing, or future use, is returned to Cook County as a surplus. A TIF district loses this surplus and, pursuant to the TIF Act, the surplus proceeds are returned to the taxing bodies which can include the Chicago Public Schools, the City, or Cook County. Mayor’s Exec. Order No. 2013-3 (Nov. 8, 2013).

Q. Does the surplus that goes to the Treasurer help the city’s budget deficit?
A. No, however, the City now uses TIF funds to complete renovations in blighted areas.

Q. What percentage of TIF funds are used for "contiguous development" or "porting" provision in the state statute/city ordinance controlling TIF?
A. Porting is when money is transferred between adjacent TIF districts. 65 ILCS 5/11-74.4-4(p). The percentage of TIF funds used for porting is unknown. Future porting plans can be found in the 2013-2017 Projection Report available for download from the City of Chicago’s website: http://www.cityofchicago.org/city/en/depts/dcd/supp_info/tif_projection_reports.html.

For example, the Englewood Neighborhood TIF is porting $7 million to the Englewood Mall TIF to help with the redevelopment of the mall area.

Q. Do the auditors come to you to do these audits?
A. Audits are procured by the Comptroller’s office.

Q. How does the audit process work?
A. Audits are managed by the Comptroller’s office.

Q. Does the City submit to the auditor its purchase orders, receipts, work orders, etc. online or in original hard copy, and how is that information stored by the auditors?
A. Audits are managed by the Comptroller’s office.
F. TIF Projects

Q. What are the types of projects that the City of Chicago uses TIF to fund?
A. To encourage public and private investment, Chicago uses TIF to fund a wide range of projects. Since 1983, the City has allocated more than $3.7 billion to private, public, and neighborhood-based projects. These projects can be classified into three broad categories:

1. **Private Development** (50% of total allocations since 1983). $1.8 billion of Chicago’s total TIF allocation has been used for incentives to private developers (residential, commercial, industrial, institutional, mixed use).

2. **Public Works** (46%). $1.7 billion of Chicago’s total TIF allocation has supported public works projects, including parks, schools, streets and other infrastructure, and public buildings.

3. **Small Business, Workplace and Property Owner Programs** (4%). Approximately $145 million of Chicago’s total TIF expenditure has been allocated to funds that can be used to improve small business and residential properties and support workplace training.\(^6\)

Q. How large is a typical project within a TIF district?
A. The TIF projects range from $1 million to over $100 million. However, some TIF districts have additional smaller TIF-based programs to help improve properties and support businesses. These include: (1) Small Business Improvement Fund (SBIF), (2) Neighborhood Improvement Program (NIP), (3) TIFWorks for financing workforce training costs, and (4) Single and Multifamily Purchase Price Rehab.\(^7\)

Q. Does an alderman request the funding for a new project?
A. Yes, an Alderman works to get new businesses into their ward and then a TIF may be a method of financing used within the TIF district. But in order for a business to receive TIF funds, the business has to come up with the financing first. TIF funds are used to reimburse projects. Also, a developer may approach the Alderman with an idea for redevelopment.\(^8\)

Q. How can residents give input regarding TIF spending in their neighborhood?
A. Residents can meet with the Alderman and/or attend the Public Meetings while the project is going through the approval process. At least ten days prior to the adoption of a redevelopment project, the City of Chicago shall make available a place and time for public inspection of the redevelopment plan or a project report. 65 ILCS 5/11-74.4-5.

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\(^7\) Chicago Department of Planning and Development, *DPD Tax Increment Financing* (April 2014).

\(^8\) Interview with Tricia Ruffolo, Financial Planning Analyst, City of Chicago Department of Planning and Development (April 4, 2014).
Q. Can the Englewood Neighborhood TIF give money to the Englewood Mall TIF?
A. Yes, per the “porting” the Englewood Neighborhood TIF is porting $7 million to the Englewood Mall TIF to help with the redevelopment of the mall area. Where does the $7 million figure come from? Available in the 2013-2017 Projection Report available for download from the City’s website:

Q. What percentage of TIF proposals/allocations are rejected or voted down by the TIF oversight committee (Community Development Commission)?
A. Rarely. In fact, for the past year, the Community Development Commission has voted unanimously to approve any new TIF projects recommended. The project plan must meet the TIF requirements and then using TIF funds involves adding approximately 5% into a businesses’ total costs in order to comply with the such constraints as the Chicago's Minority and Women-owned Business (MBE and WBE) requirements, and the residency requirements.

Q. Is there a spreadsheet for all TIF projects that have been approved and on the books but not yet started?
A. There are Projection Reports available for each TIF district (2013-2017) on the City of Chicago’s website:
http://www.cityofchicago.org(city/en/depts/dcd/supp_info/tif_projection_reports.html. These projection reports list the fund balance, tax revenues, transfers between the TIF districts, and the current project obligations.

G. Project Tracking

Q. How are the TIF projects tracked?
A. Each project is on the web portal but the data can be up to six months behind the actual data. The project information is available by accessing the map at:
http://webapps.cityofchicago.org/ChicagoTif/. There are also 10-year status reports accessible for some TIF districts.

Q. Can an organization receive TIF funds more than once?
A. Yes, an organization can receive TIF funds more than once if the organization has a plan for a deal that meets the TIF requirements.

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10 Interview with Tricia Ruffolo, Financial Planning Analyst, City of Chicago Department of Planning and Development (April 4, 2014).
Q. Do you keep a spreadsheet of ALL projects funded by TIF $ as far back as your records go -
include: name of TIF, ward #, amount of TIF award, name of project, address, name of
developer, date of the award?
A. The TIF Portal that is accessible at: http://webapps.cityofchicago.org/ChicagoTif/ provides a
map-based view of the following information for each TIF district:
A description of the purpose of the district:
• The investments that have been made in the District that have been approved by City
Council;
• A list of redevelopment projects approved by City Council for the district; and
• Links to important documents for the district such as the establishment ordinance
approved by City Council, the most recent annual report, and district revenue projection data.
The TIF Portal also provides the following information for each TIF-funded redevelopment
project:
• The name of the developer;
• The TIF funds approved by City Council;
• The project’s address;
• A brief description of the project; and
• Links to important documents for the project (as applicable) such as the redevelopment
ordinance, the Community Development Commission report, and the certificate of completion.
The City intends to add supplementary information to the TIF Portal in the future, including
district and project performance data that will be collected and published for the first time.

II. Guide to the Law of TIFs

A. Introduction

The purpose of Part II’s research is twofold: 1) to provide research to Englewood
community organizers that identifies the ordinances and legislation that control for TIF creation
and distribution; and 2) to create a deliverable that will continue to facilitate discussion and
spur change in the Englewood community. The City of Chicago Ordinance that designated the
creation of the Englewood TIF in 1999 is inconsequential, given the fact that the Ordinance
does most of its legislative “heavy lifting” by referencing the Illinois statute 65 ILCS 5/11 74.4.
This statute controls the creation of TIF districts in the state and should be the beginning point
of any and all legal challenges to the legitimacy of the Englewood TIF. Since another DePaul Law
CbSL Project Team in Prof. Cho’s Economic Justice, Identities & Markets course undertook the
task of translating the statute into everyday terms,11 this Part focuses instead on the creation of
a document that may be more beneficial to the general public and community of Englewood.

The two separate documents may be used separately or in a front-and-back format for
easy distribution. The first “Myths and Realities of TIFs” document available in II.C. below

11 See Ashley Deveaux, Sanaa Khan, Jamillah Pate, and Patrick Rezman, Exploring Legal Challenges to Chicago’s Tax
Markets Spring 2014 course on file with Asiaaha Butler, RAGE).
details the three major myths behinds TIFs and the reality concerning these myths. The second document located at the end of this report in Appendix A entitled, “Know Your Rights” states a number of important but possibly unknown facts of TIFs and relating them to the readers own personal relationship to the Englewood TIF. Both of these documents are intended to bring the TIF conversation back to the forefront of the conversation in Englewood by providing and easy to understand format.

B. Methodology & Research

There are many misnomers and misconceptions surrounding Tax Increment Financing (“TIF”) and what it is intended to do. As is the case with virtually any legislative enactment, an information disconnect can form between the legislative body and those individuals directly impacted by the piece of legislation. TIF districts in Chicago, and specifically in Englewood, hold true to this pattern. On January 21, 2014, one of the project team members attended a Resident Association of Greater Englewood (“RAGE”) meeting where residents of the neighborhood were able to voice their concerns surrounding the TIF district as well as ask questions.\textsuperscript{12} After it was announced that law students from DePaul would work hand-in-hand with RAGE in an attempt to demystify TIF districts, the project team member was inundated with questions by residents specifically pertaining to the legality of the TIF districts. The questions reflected a recurring theme: the lack of transparency and therefore, trust, that infuses many of the meetings where communities are grappling to understand the entire TIF process. Although there are many myths and realities surrounding TIF districts in Englewood and Chicago, the following three were of particular concern to these individuals currently residing in the greater Englewood area.

One of the most frequently asked questions is the all-important, “why?” Residents truly would like to know why TIF districts exist and what they are supposed to accomplish. The first major myth surrounding TIF districts is that they were originally designated and justified as a policy to alleviate the consequences of blight for Chicago’s poorest communities. In order to fully address this myth, one must first turn to the actual Illinois statute that controls the creation of TIF districts, known as the Tax Increment Allocation Redevelopment Act.\textsuperscript{13} In so doing, it becomes apparent that the statute allows TIF funds to be used in some of the highest income neighborhoods and to promote gentrification in others by focusing on what the statute defines as “blight” or blighted areas.

The Illinois statute details what exactly qualifies as blight by listing thirteen factors that are indicative of a “blighted area” and requiring that at least five of the thirteen be present to a

\textsuperscript{12} CbSL Project Team member Nelson Dunlap attended the January 21, 2014 RAGE meeting.

\textsuperscript{13} 65 ILCS 5/11-74.4-1
meaningful extent and reasonably distributed throughout a proposed TIF district.\textsuperscript{14} The full list of factors includes: dilapidation, obsolescence, deterioration, presence of structures below minimum code standards, illegal use of individual structures, excessive vacancies, lack of ventilation, inadequate utilities, excessive land coverage or overcrowding of structures, deleterious land use, environmental clean-up, a lack of community of planning, and of if the total equalized assessed value of the proposed redevelopment project area has declined for 3 of the last 5 calendar years.\textsuperscript{15} With a working knowledge that only five of the thirteen previously listed factors have to be found and the fact that TIF districts operate under the premise that redevelopment will indeed occur above and beyond in the incremental increase in tax revenue, it becomes clear that gentrification seems inevitable. As detailed in an article discussing how TIF districts operate in Chicago, some degree of gentrification is expected as real estate values must go up in the district in order for the redevelopment to actually occur.\textsuperscript{16} Gentrification is defined as the process of renewal and rebuilding accompanying the influx of middle-class or affluent people into deteriorating areas that often displaces poorer residents.\textsuperscript{17} For a more contemporary application of the inevitability of establishing five of the “blight” factors in an area not typically considered to be financially disadvantages or blighted, one need look no further than McCormick Place in downtown Chicago where DePaul University is slated to construct its newest basketball stadium with TIF funds.\textsuperscript{18} While the eradication of blight, even statutorily defined blight, can be a positive byproduct of the creation of TIF districts, more often than not, gentrification is the most prevalent result.

The second big question presented to time and time again focused on the money raised by the TIF district. Englewood residents are concerned about whether or not the money will actually stay in the community that is supposed to benefit from the TIF district. Thus, the topic of porting is important. Most residents of Chicago likely are unaware of the practice of porting and its relation to TIF expenditures outside of the intended district. The city ordinance that created the Englewood TIF district does detail with particularity the boundaries of the district. Due to the fact that the Chicago city ordinance is silent on the topic of porting, we must again turn to the controlling Illinois statute, which allows the city of Chicago to utilize revenues from redevelopment projects that are contiguous to the current redevelopment project.\textsuperscript{19} In short, this section of the state statute provides that TIF districts can tap into the funds from essentially

\textsuperscript{14} 65 ILCS 5/11-74.4-3
\textsuperscript{15} Id.
\textsuperscript{18} http://chicago.cbslocal.com/2013/10/22/protesters-confront-depaul-president-over-taxpayer-money-for-proposed-arena/
\textsuperscript{19} 65 ILCS 5/11-74.4.4
any of the 150 or so TIF districts that have already been created in Chicago and are adjoining or contiguous to one another. While the myth is that the money raised by increasing the tax base in a TIF district will stay and benefit that specific district, in all reality, the law allows that raised money to freely flow into another TIF district.

The third and final major question that emerged from conversations with residents of Englewood also focused on the monetary aspect of TIF spending, but more so with an eye towards the transparency of governmental involvement. Englewood residents present expressed a belief that the money that was being generated and spent as a result of the Englewood Neighborhood TIF district, was being accounted for in some fashion. However residents felt they simply lacked the knowhow to access such records. As this Final Report suggests, as well as countless others has proven, TIF districts do not necessarily have the greatest track record of complying with legislatively mandated reporting requirements.\(^{20}\) For example, during the last required annual reporting period, of the 1,220 TIF districts across the state of Illinois, 530 were out of compliance and failed to file the required annual reports pursuant to Illinois statute.\(^{21}\) This high percentage of out of compliance districts lends credence to community suspicion that the difficult task of tracking down the money collected and spent in TIF districts is not simply the result of miscommunication, but rather, a conscious decision on the part of officials to simply not make the information available, even where they are required by statute. The Englewood TIF and the Englewood Mall TIF are no exception to this trend.

C. Myths and Realities of TIFs — The Big Three

1. Statutory Blight

**Myth:** “TIFs were originally designated and justified as a policy to alleviate the consequences of blight for Chicago’s poorest communities needing development.”

**Reality:** The statute allows TIF funds to be used in some of the highest income neighborhoods and to promote gentrification in others.

When a poor area or neighborhood transitions into a more middle-class or affluent neighborhood because of rebuilding and new business, the process is referred to as gentrification. While many TIF districts are worried that their neighborhood will lead to gentrification, the fact of the matter is, that some degree of gentrification in a TIF district is inevitable because real estate values must go up in the district in order for redevelopment to occur.\(^{22}\)


\(^{21}\) *Id.* and 65 ILCS 5/11-74.4-4

Further, the Illinois statute that controls the creation of TIF districts sets forth 13 factors that establish exactly what “blight” is for the purposes of TIFs. Of the 13, at least 5 must be “present to a meaningful extent and reasonably distributed throughout a proposed TIF district so that reasonable persons will conclude that public intervention is necessary.”\(^{23}\) However, statutory construction allows for certain areas to be deemed appropriate for TIF districts, even though they are not blighted in the least. For example, the controversial use of TIF funds to create a Basketball stadium for DePaul University near McCormick Place.\(^{24}\)

2. The Practice of “Porting”

**Myth:** “The money raised in a TIF district stays in a TIF district.”

**Reality:** The city of Chicago can move money essentially from any one TIF to any other TIF.

The Illinois statute that controls the creation of TIF districts allows for the transfer of TIF funds from one TIF district into a touching, adjacent TIF district. This process is referred to as “porting.” The City of Chicago has established more than 150 adjoining TIF districts, which means that funds can flow freely from Englewood to any of the other TIF districts with minimal resistance.\(^{25}\)

3. Reporting

**Myth:** “The money being collected and spent from TIFs is reported every step of the way and made publicly available.”

**Reality:** Transparency is a foreign concept.

Out of the 1,220 Tax Increment Financing districts in the state of Illinois, 530 were out of compliance and had not filed annual reports with the state, pursuant to legislative requirements, during the issuing of the most recent state report.\(^{26}\) TIF districts in the city of Chicago, and specifically in Englewood, are not immune to this trend. Tracking the collection and spending of money is an arduous task filled with many dead ends.

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\(^{23}\) 65 ILCS 5/ 11-74.4-2 (b)

\(^{24}\) http://chicago.cbslocal.com/2013/10/22/protesters-confront-depaull-president-over-taxpayer-money-for-proposed-arena/

\(^{25}\) 65 ILCS 5/11-74.4-4

III. Tracking Englewood TIF Expenditures: 2011 & 2012

A. Methodology

This Part analyzes the Englewood Neighborhood TIF Annual Spending Reports and includes a spreadsheet of the data from the annual reports for the years 2011 and 2012. Far from being a straightforward task, the annual spending reports turned out to be very vague and lack detail about how the funds were allocated. There is also no uniform pagination or any order to how the annual reports are organized. These research difficulties suggest simple reporting protocols, such as having basic headers and guidelines at the top of each page to briefly explain to readers exactly what data is being portrayed on each page. Overall, the annual reports are very difficult to navigate and inconclusive. In addition, it would be very helpful for the reports to actually show how each vendor actually spent the money. At the very least, these reports should show how each vendor had planned to spend the funds they were allocated.

B. Findings

Part III’s findings show that administration and professional services costs in 2011 was $62,354 and in 2012 was $89,940. (See Table 1 & Table 2 below.) It is important to analyze how much was allocated for administration because perhaps these funds could have been prioritized differently. For example, instead of spending $62,354 in 2011 on administrative costs, this money could have been used for job training costs (which did not receive any funds in 2011, according to the annual report.) The total expenditures in 2011 was $1,809,184 and in 2012 was $3,971,266. (See Table 3 & 4 below.) These figures show us total expenditures doubled from 2011 to 2012. The property tax increment in 2011 was $5,040,935 and in 2012 was $4,433,578. (See Table 3 & 4 below). This number shows us that there was a decrease in the amount taken from property taxes from 2011 to 2012.

This Part includes an Excel Spreadsheet (See Table 5 below) modeled after the Civic Lab’s spreadsheet for TIF spending in other districts. In the spreadsheet, all vendors that were paid in excess of $10,000 are listed, along with the type of service, and the amount the vendor received. However, the annual reports failed to include what these vendors actually did with the money. For example, the table mentions how a vendor received funds for “public improvement”, but fails to indicate what that type of “public improvement” actually was. This Part also includes an itemized list of all expenditures from the special tax allocation fund by category and amounts expended during that year. However, more than half of the listed categories of permissible redevelopement costs did not include an actual amount of how much they expended during that reporting year. The annual reports do not list how much was allocated for job training programs, rehabilitation programs, development programs, and removing contaminants, which is alarming. In such cases, these amounts are listed as “N/A”. It is unclear whether or not funds had actually been allocated for these redevelopment costs.
There are projected numbers that begin between 2013 to 2017 ending on 2025. These numbers mainly focus on 2013 expenses. It includes streets repairs, the Englewood mall, curb and gutter repair, streets lighting, street resurfacing, home rehab, hope manor (3 million), program admin (100k per year on avg). This report is the most detailed report found. Reports with any descriptive details such as this one for the past are inaccessible.

Link to Updated WikiSpace page for Civic Lab:
http://civiclabresearch.wikispaces.com/Englewood+Neighborhood+Project
# Index of Tables from Englewood Neighborhood TIF

## Annual Reports for 2011 & 2012:

### Table 1: Administration and Professional Services Costs in 2011:

<table>
<thead>
<tr>
<th>Reporting Fiscal Year</th>
<th>Costs of studies, administration and professional services—Subsections (q)(1) and (o)(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>62,354</td>
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</tbody>
</table>

### Table 2: Administration and Professional Services Costs in 2012:

<table>
<thead>
<tr>
<th>Reporting Fiscal Year</th>
<th>Costs of studies, administration and professional services—Subsections (q)(1) and (o)(1)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>89,040</td>
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</table>

### Table 3: Total Expenditures and Property Tax Increment in 2011:

**SECTION 3.1 - (65 ILCS 5/11-74.4-5 (d) (5) and 65 ILCS 5/11-74.6-22 (d) (5))**

Provide an analysis of the special tax allocation fund.

<table>
<thead>
<tr>
<th>Reporting Year</th>
<th>Cumulative</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance at Beginning of Reporting Period</td>
<td>$23,756,727</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Revenue/Cash Receipts Deposited in Fund During Reporting FY:**

<table>
<thead>
<tr>
<th></th>
<th>Reporting Year</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax Increment</td>
<td>5,040,936</td>
<td>32,607,408</td>
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<tr>
<td>State Sales Tax Increment</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Local Sales Tax Increment</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>State Utility Tax Increment</td>
<td></td>
<td>0%</td>
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<tr>
<td>Local Utility Tax Increment</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Interest</td>
<td>59,209</td>
<td>0%</td>
</tr>
<tr>
<td>Land/Building Sale Proceeds</td>
<td>750,000</td>
<td>2%</td>
</tr>
<tr>
<td>Note Proceeds</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Transfers in from Municipal Sources (Porting in)</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Private Sources</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Other (identify source if multiple other sources, attach schedule)</td>
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<td>0%</td>
</tr>
</tbody>
</table>

**Total Amount Deposited in Special Tax Allocation Fund During Reporting Period**

5,100,141

**Cumulative Total Revenues/Cash Receipts**

$33,857,408

**Total Expenditures/Cash Disbursements (Carried forward from Section 3.2)**

1,809,184

**Transfers out to Municipal Sources (Porting out)**

-

**Distribution of Surplus**

3,000,000

**Total Expenditures/Disbursements**

4,809,184

**NET INCOME/CASH RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS**

290,957

**FUND BALANCE, END OF REPORTING PERIOD**

$24,047,884

- If there is a positive fund balance at the end of the reporting period, you must complete Section 3.3
Table 4: Total Expenditures and Property Tax Increment in 2012:

<table>
<thead>
<tr>
<th>Revenue/Cash Receipts Deposited in Fund During Reporting FY:</th>
<th>Reporting Year</th>
<th>Cumulative*</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax Increment</td>
<td>4,453,578</td>
<td>37,049,884</td>
<td>86%</td>
</tr>
<tr>
<td>State Sales Tax Increment</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Local Sales Tax Increment</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>State Utility Tax Increment</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Local Utility Tax Increment</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Interest</td>
<td>63,467</td>
<td></td>
<td>0%</td>
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<tr>
<td>Land/Building Sale Proceeds</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Note Proceeds</td>
<td>750,000</td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td>Transfers in from Municipal Sources (Porting in)</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Private Sources</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Other (identity source): If multiple other sources, attach</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>*must be completed where 'Reporting Year' is populated</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Amount Deposited in Special Tax Allocation
Fund During Reporting Period

Cumulative Total Revenues/Cash Receipts

Total Expenditures/Cash Disbursements (Carried forward from Section 3.2)

Transfers out to Municipal Sources (Porting out)

Distribution of Surplus

Total Expenditures/Disbursements

NET INCOME/CASH RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS

FUND BALANCE, END OF REPORTING PERIOD*

* If there is a positive fund balance at the end of the reporting period, you must complete Section 3.3

Table 5: Excel Spreadsheet of Englewood Neighborhood TIF Spending for 2011 & 2012:
IV. TIF Spending and Public Schools

A. Introduction and Methodology:
Part IV examines TIF spending and whether it is properly distributed to public schools in Chicago neighborhoods. TIF and charter school critics have argued charter schools have been receiving a disproportionate amount of the TIF money that should have been more properly spent on public neighborhood schools. This Part also considers how the TIF money may not be utilized for its intended purpose and how this possible misuse may have affected Englewood schools.

Tom Tresser (co-founder of the CivicLab) and Asiaha Butler (co-founder and President of R.A.G.E.) are two such critics on these matters. These interviews all shared a common theme—that TIF money was not being utilized successfully for public schools in blighted areas. The interviewees, assert that TIF money is being used to solidify two classes of people—the well-off and the underprivileged. By allocating more TIF money to charter schools, many blighted areas lack funds to open new schools or parks.

B. Original Intent of TIF’s

School districts in Illinois are still receiving the tax revenue they were entitled to before TIF districts were created. Also, TIF districts can create money for schools. When assessed valuations increase, schools generally lose General State Aid, but the incremental growth in property values within a TIF district is excluded from the property tax base when the amount of aid it awards to a school district is calculated. So, the poorer a school district is the more it can benefit from having a TIF district.27

C. Englewood Schools
Mayor Emanuel has closed five schools in Englewood, one of the poorest, highest-crime neighborhoods in Chicago.28 These closures have occurred to help with the projected $400 million budget deficit.29 However, Chicago Teachers Union president Karen Lewis argued: “This city cannot destroy that many schools. It will send our district into chaos,” Lewis stated. “These actions will put our students’ safety and academics at risk and will further destabilize our neighborhoods.”30


Unfortunately, according to Civic Lab co-founder Tom Tresser, property tax bills for those living within the Englewood Neighborhood TIF district say that there was no money diverted into the district.\textsuperscript{31} Sixty-eight percent of each resident's property taxes inside its boundaries are extracted by the TIF district.\textsuperscript{32}

As a result, the Chicago Board of Education does not receive the typical 54 percent of an individual's total property taxes. Instead, school-age children living in the Englewood TIF 17 percent to the board.\textsuperscript{33} Even more disturbing is that residents know very little about the details of TIFs even though they are a crucial economic development tool and there should be more action taken to inform them on these manners so they can voice their opinions in the future. Asiaha Butler also commented on the problem of schools closings, “I am not sure why this happens,” she stated regarding the school closings that have received TIF money for their construction. She continues, “Many of the schools received funds for renovations and were shut down the same year. I definitely think this should have been considered when making the decision to close these buildings. I think the monies could have been used more successfully, as now the renovations are pointless unless they were setting up these buildings for other developers.”\textsuperscript{34}

Many activists believe that racism permeates the school closings. School closures have disproportionately affected Black and Latino students. Eighty-eight percent of the students in 2008 who have been impacted by CPS’s school actions have been black students.\textsuperscript{35}


\textsuperscript{31} Fontino, Ellyn. \textit{South Side Residents Discuss School Closings, Red Line & TIFs At Englewood Meeting}. Progress Illinois. (May. 2013).

\textsuperscript{32} \textit{Id.}

\textsuperscript{33} \textit{Id.}

\textsuperscript{34} A. Butler (personal communication, April 13, 2014).

\textsuperscript{35} NG. \textit{Tax Breaks For The Wealthy While Poor Schools Are Closed? It's Just the Chicago Way}. (June. 2013).
Neighborhood schools that are located on the South side with a primarily black student base received much less funding than the schools on the North side who obtained 78% of the funding.\textsuperscript{36} Schools with a larger Latino population have only received 27 percent of the money, even though 44 percent of all CPS students are enrolled in there.\textsuperscript{37} Conversely, schools with a higher white population received 23 percent of the TIF money, even though white students make up only about 9 percent of citywide enrollment.\textsuperscript{38} This data suggests why Englewood residents and activists may believe that Mayor Daley is focusing more on keeping (middle-class white) people in the city than helping to improve blighted neighborhoods.

\textbf{D. The Charter School Controversy}

Although more than $800 million has been spent on building and repairing public schools, this is only a little more than a fifth of all TIF spending.\textsuperscript{39} Available TIF money is disproportionately being given to selective—enrollment schools and charter schools.\textsuperscript{40} City officials claim that the $858 million dollars is proof that a good amount of TIF money goes to needy neighborhoods and not just to subsidize big property developers or for construction projects in downtown. However, the evidence disputes this statement.\textsuperscript{41} Open enrollment neighborhood schools have only received 48 percent of the TIF money.\textsuperscript{42} Moreover, such schools compromise 69% of all schools. \textsuperscript{43}

This spending allocation may be occurring because Mayor Daley assumed that middle-class families would leave the city if they had to put their children in public neighborhood schools. To respond, the city put TIF money into charter schools and selective enrollment

\textsuperscript{36} Nick Moroni, Author of Study on Inequality in TIF-Funded CPS Schools Highlights Potential Dangers. (June. 2012).


\textsuperscript{38} Id.

\textsuperscript{39} Id.

\textsuperscript{40} Id.

\textsuperscript{41} Id.

\textsuperscript{42} Id.

\textsuperscript{43} Id.
schools so that these families would not move out of the city.\textsuperscript{44} In addition, he thought this plan would help to “weed” out the bad kids. \textsuperscript{45} This is not a reason to put more TIF money into selective enrollment schools when TIF money was intended to help needy neighborhoods. This just makes the situation worse.

E. Assessments On Which School Closings Have Been Based

The biggest reason that the school board has closed 100 schools in the past decade is that the schools were underperforming and being underutilized.\textsuperscript{46} However, around this time, 60 private charter schools have opened. \textsuperscript{47} In addition, some of these charter schools have either not turned out better results than public school or even performed worse in many instances. \textsuperscript{48} In addition, Chicago Public Schools have stated that underutilization has been based on class size and not test schools. \textsuperscript{49} However, this approach is flawed. Although Chicago Public Schools state that 30-36 students is the appropriate class size, this number is higher than charter schools and many teachers are fighting for smaller class sizes. \textsuperscript{50}

So where is most of the TIF money going? School funding only makes up for less than half of the public works projects.\textsuperscript{51} Unsurprisingly, the TIF program has remained quite undisclosed to the public. However, here are some ways TIF money has been utilized for purposes it was never intended for:\textsuperscript{52}

- $8 million for a French Market
- Republic Windows & Doors received $10 million in a similar deal, before packing up in 2008 and leaving taxpayers with the tab
- $40 million the city has spent on the Hired Truck Program
- Opening up a new Marriot Hotel downtown

\textsuperscript{44} Whet Moser, \textit{TIF Money For Chicago Public Schools: Like TIFS in Miniature}. A new report by a Roosevelt Professor Highlights where TIF Money Spent on Schools Has Gona, and to What Kind of Schools it’s Gone to-and how it Mirrors the Dilemma of Tax Increment Finance Generally. (June. 2012).

\textsuperscript{45} Id.

\textsuperscript{46} NG. \textit{Tax Breaks For The Wealthy While Poor Schools Are Closed? It’s Just the Chicago Way}. (June. 2013).

\textsuperscript{47} Id.

\textsuperscript{48} Id.

\textsuperscript{49} Id.

\textsuperscript{50} Id.

\textsuperscript{51} Id.

\textsuperscript{52} Id.
The biggest reason that the school board has closed 100 schools in the past decade is that the schools were underperforming and being underutilized. In addition, some of these charter schools have either not turned out better results than public school or even performed worse in many instances. In addition, Chicago Public Schools have stated that underutilization has been based on class size and not test schools. However, this approach is flawed. Although Chicago Public Schools state that 30-36 students is the appropriate class size, this number is higher than charter schools and many teachers are fighting for smaller class sizes.

F. Recommendations

TIF money is being used incorrectly. It is not being used for its intended purpose. To illustrate, selective-enrollment schools (such as Jones College Prep downtown and Walter Payton College Prep in Old Town) are receiving disproportionate amounts of money compared to public neighborhood schools in needy neighborhoods. Reform is needed. Perhaps as Tom Tresser concludes, the TIF program should be abolished altogether because it is no longer serving its purpose. TIF money instead should be sent to the units of government that should have gotten this TIF money in the first place, such as the Board of Education. This would also eliminate the problem of schools receiving TIF money and then subsequently shutting down because they do not have the resources to run successfully.

53 NG. Tax Breaks For The Wealthy While Poor Schools Are Closed? It’s Just the Chicago Way. (June. 2013).
54 Id.
55 Id.
56 Id.
57 Id.
V. Best Practices for Community Involvement

One of the common criticisms levied against TIF spending is the lack of transparency and community accountability throughout both the allocation and development process. Part V attempts to pose recommendations for policy makers and community organizations alike to ensure that TIF spending is actually used for what it is intended—community development of historically “blighted” neighborhoods, rather than as a discretionary or “slush” fund for corrupt politicians and developers.

In May 2011, Mayor Rahm Emanuel announced the formation of the TIF Reform Panel, which was charged with making recommendations to city officials to bring transparency, accountability, and efficiency to the TIF process in Chicago. The TIF Reform Panel included small business leaders, finance experts, elected and appointed officials, and urban policy leaders from think tanks, academia and foundations. In August 2011, the Panel released its findings which included (1) establishing the City’s TIF goals, (2) the creation of a multi-year Capital budget that would then be submitted to the City Council for consideration, (3) better mechanisms for monitoring performance, (4) more explicit justifications for public funding of private projects and overall increased accountability, (5) more proactivity on the part of the City to set and manage performance thresholds for districts and projects, and (6) enhanced oversight and administration of the TIF spending process.\(^5\)

However, many advocates of TIF reform criticized the Panel’s findings for not going far enough. Some reformers argue that the City needs to tighten up its definition of “blight,” and limit or prohibit the access of private corporations to TIF funds. Many of these same reformers argue that the TIF spending process is inherently and unnecessarily top-down and that the TIF Reform Panel recommendations failed to incorporate any meaningful community input or feedback into the allocation and monitoring stages of TIF projects. Accountability, these critics argue, should not be analyzed solely in terms of oversight from City officials, but should rather be expanded to include some level of community agency. Currently, nothing in the TIF Reform Panel’s recommendations meaningfully enhances community involvement, whether from individual residents or neighborhood organizing groups, in the TIF process.\(^6\) Therefore, the following recommendations attempt to fill this gap and envision a more bottom-up approach that incorporates and is responsive to community feedback.

Each of the following recommendations draws on past models from TIF-sponsored plans, or community organizers’ attempts to ensure greater accountability, from neighborhoods in Chicago as well as other cities across the US. Whenever possible, these community-focused recommendations incorporate the specific challenges and local

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circumstances of the Englewood neighborhood on Chicago's south side. Each of these sections begins with a quote from an Englewood resident to refocus concern on the voices of residents and local businesses themselves.

A. TIF Spending Projects Should Be Open and Democratic Processes: Recommendations for Increased Community Agency

“There has to be community oversight of projects that are supposed to benefit the neighborhood. I don't think that's such a revolutionary concept.”
-Ms. Atkins, Englewood resident

TIF money in a given district comes from property taxes collected by community residents. Therefore, any spending of this money should be responsive and incorporate diverse community input before any funding decision is reached. The following recommendations could be incorporated into pressure campaigns for local decision-makers to implement more transparent processes.

1. TIF Spending Must Approach Neighborhood Challenges Holistically and Intend To Benefit the Broader Community

“Englewood is 97% African-American. In our community, we don’t own very much. Any plan needs to address the root problems of marginalization of our community. It isn’t just about more jobs, its about making those jobs sustainable and passing them on.”
-Clyde H., Englewood resident and community activist

TIF projects should take a holistic approach to neighborhood “blight.” To illustrate such holistic approach, the 1996 Market Square TIRZ (Tax Increment Reinvestment Zone) in Houston, Texas, provides an illuminating case study for TIF spending on a specific project with the goal of improving broader, multi-faceted neighborhood problems.\(^\text{61}\) The project centered around the revitalization of the Rice Hotel in downtown Houston, a large and historic building that had remained vacant for 18 years because it required so much renovation that no developer would touch it.\(^\text{62}\) That area of Houston had seen little economic development growth in decades. Through TIF spending, the city purchased and renovated the building, providing successful ground-level retail spaces and 905 residential building units in addition to a well-used function hall and community center.\(^\text{63}\) Before approving the TIRZ, the city conducted an in-depth


\(^{63}\)Id.
economic study of the area and asked neighborhood residents about their desire for additional residential units in downtown Houston. The feedback from the study indicated that area residents were concerned about housing in addition to a lack of jobs and the unavailability of public community spaces such as meeting halls and parks. In choosing to renovate the Rice Hotel, the city of Houston was responsive to community feedback and took a holistic approach to addressing multiple neighborhood challenges. The new Rice Hotel units have since maintained a high level of occupancy, and the project has unquestionably helped precipitate the subsequent economic turnaround in downtown Houston. TIF projects produce greater benefits for communities when they are used to catalyze, rather than create, demand in their respective communities.

The Houston case study is apt for the Englewood Neighborhood TIF which has recently approved funding for a new Whole Foods store. One of the justifications for the Whole Foods project, which is sponsored in part with TIF funds, was to ensure community access to healthier food. Yet Englewood residents confront a myriad of challenges beyond the lack of healthy grocery stores. One of those challenges is a lack of economic growth from within the community. Some residents are concerned that a large chain store like Whole Foods will likely compete with already struggling local businesses. Therefore the Whole Foods, and any similar future projects, should be required to agree to stock a large percentage of items on its shelves from local vendors.

Additionally, mass incarceration has taken a high toll on the Englewood area and ex-offenders, especially if they have felonies, are released from prison and return home with few opportunities to support themselves. Any TIF spending in the Englewood area should incorporate job creation and training, particularly for people with felony records, to ensure that the project benefits the most vulnerable within the community. According to the Englewood TIF Ten Year Status Report 2001-2011, $7 million was earmarked for job training in the neighborhood alone. However, community residents contend that this money was unspent and unused. Each TIF districts may have challenges unique to location, therefore the process of finding out what residents want is paramount to transforming communities from within, rather

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64 *id.* at 14.

65 *id.* at 15.

66 *id.*


than forcing change from without, and running the risk of displacing some of the most economically challenged residents as areas change and gentrify. Having well-defined goals at the outset of each project will better ensure that this recommendation becomes reality.

Englewood is not located downtown, and community residents generally have less social and financial capitol than the Market Square neighbors polled by city officials in Houston. Nonetheless, disparities in resources should not preclude local stakeholders from adopting a plan in Englewood that is responsive to resident feedback and desires. As in Houston, a successful TIF project in Englewood might incorporate sustainable job creation, housing redevelopment, and public infrastructure availability without displacing pre-existing community members.

2. Any TIF Proposals Should be Publicized Before Any Decisions Are Made, With Enough Time For All Interested Residents to Review Proposals

“People from the outside always just come and go, take what they want from this community, and then leave. Nobody ever asks us what we want.”
-Ms. Hill, Director of the Imagine Englewood If Community Center

TIF proposals should start out as just that: proposals. The 2011 TIF Reform Panel’s recommendations for Chicago provided almost no process for community review of projects within a given TIF district. Each proposal should be required to be reviewed, and amended where feasible, by neighborhood resident. While residents, especially in inner-city communities, have been participating in neighborhood planning to various degrees since the founding of this country, the 1990s marked a significant increase of grassroots community organizations participating in neighborhood revitalization efforts. Overall, urban governance strategies in the U.S. have shifted to promote increased power and responsibilities of community organizations who can act to facilitate change in specific communities.

This trend should be expanded to the TIF spending process. Community organizing groups are made up of local residents who have direct knowledge and stakes about the circumstances and challenges of their neighborhoods. Thus these organizations can act to synthesize local sentiment on specific issues related to TIF projects. Local government should hold public hearings in community spaces such as libraries, schools, and neighborhood centers that bring together voices from a diverse cross-section of the district. Since no community is monolithic, numerous hearings in a variety of forums should be organized. While critics of increased public hearing feedback often maintain that this process is unwieldy and not always representative of community concerns, at this stage developers and city officials make almost no effort to try to respond to community feedback. Englewood is a geographically large

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70 Id. at 40.
neighborhood, therefore multiple forums should be organized by city officials, working through
community organizations, churches, and local merchants to get the word out to residents who
wish to make their views known. When city officials should pose specific questions to residents
to allow for more generalizable feedback, as well as allow space for open discussion. While no
magic number of public hearings can be recommended, city officials and community organizers
should at least agree that they have enough representative community input to answer their
questions before any plans proceed to the next stage.

Additionally, information on new and existing TIF districts could be presented as part of
the overall municipal budget, so that voters and elected officials alike can evaluate TIF spending
in the same context as general municipal spending. Any significant changes in development
plans should be presented to the community in similarly organized hearings that are well
publicized and open for resident comment and critique. While full community consensus is
often impractical to obtain, it is possible for stake-holders to get a sense of a general “pulse” of
a community when similar sentiments or concerns are repeatedly expressed.

3. Information About TIF Funding and Districts Should be Easily Accessible to the Public

“The city and developers never really fill us in on what’s going on. We don’t even know if there
are meetings, if there are meetings at all. I would go to speak my mind if I had the chance. Of
course I’d go, after all...its our money.”
-LeTanya Brooks, Englewood resident

As Part III revealed, information on TIF district spending is usually buried in inaccessible
and unintelligible databases. Some of the most valuable data is only available through Freedom
of Information Act requests, a process which the average Chicago resident does not know how
to pursue. Yet because the creation of a TIF district itself is a decision with long-lasting
implications for a municipality or neighborhood, local politicians and city officials should go the
extra mile to ensure that such information is easily accessible and understandable to the
general public.

In recent years, numerous state government and city municipalities have embraced the
Transparency 2.0” standard for information sharing, usually content on the internet that relies
heavily on info-graphics and charts to simplify and explain dense statistics. Under this new
standard, local government budgets are required to be conveyed in a way that is
comprehensive, one-click, accessible, and accountable to the general public. Under this
comprehensive standard, governments are supposed to disclose all of the ways it spends
money, including any provisions made available to private developers or actors. Information on
the websites are then more easily understandable by citizens who have no specialized
knowledge of statistics or bureaucratic structures.

16-18.
Chicago has yet to embrace the “Transparency 2.0” standard. Englewood community organizers interested in reforming the TIF process could lobby for more public access to information along the lines described above. One specific application consistent with the new proposed standard would be for TIF districts to create and maintain websites with comprehensive and aggregated information about each spending project within the jurisdiction. Information on each TIF district could include; (1) the overall goal of the TIF district, (2) the value of the TIF, (3) the specific benefits (in terms of job creation or other measures), (4) the most current information on what has been produced to date, (5) the identities of all recipients of TIF funds for that district, and (6) regular and candid reports about the progress of each project.

4. TIF Districts Could Implement Advisory Boards of Community Stakeholders to Manage Each TIF Spending Project

“There are a lot of concerns. There’s a lack of transparency and accountability. There’s a need for community participation to assure direct benefits for residents.”
-Carolina Gaete, activist with Blocks Together

A recurring criticism of TIF spending is that policy-makers remove money from the normal city budgeting processes so that they become unaccountable “slush funds” that benefit private interests rather than meet community needs. The best way to allay this concern is to provide opportunities for stakeholders to be involved as much as possible in making decisions within each TIF district. Creating an advisory board for each district can make the approval process smoother, more transparent, and more responsive to incorporating and understanding local community needs into the plans for using TIF funds to stimulate economic development. Furthermore, as the intended beneficiaries of any TIF spending projects, these community members are often in the best position to hold developers accountable for promised community benefits.

Blocks Together, a community organizing group in the West Humboldt Park neighborhood on Chicago’s west side, is currently working on bringing together residents from multiple TIF districts to push for reform. One of those reforms is the creation of a community advisory board for the Chicago-Central Park TIF. Blocks Together organizers are currently lobbying area aldermen, as well as other city officials, to implement such a change. However, organizers know they face an uphill battle, particularly with the present mayor, his policies, and the officials that serve under him. Therefore, Blocks Together is also attempting to simultaneously develop local infrastructure for increased localized direct democracy. The organization regularly holds town hall meetings to discuss a myriad of issues, including the TIF spending process. With this approach, community education is key. West side residents in

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particular are concerned for the potential that TIF funds have to divert money available for neighborhood public schools, while allowing the city to funnel this money into selective enrollment schools.  

The Lawndale Alliance is another example of a Chicago community group lobbying city officials to be more accountable to neighborhood residents. The Lawndale Alliance successfully worked to change the terms of the $250 million Ogden/Pulaski TIF project that would have rezoned North Lawndale and potentially displace an estimated 1,200 people. The original proposal also ran the risk of reallocating TIF dollars generated by the 24th Ward to fund projects in other areas of the city, including downtown. The Alliance initiated negotiations with the City Department of Planning and Development, and the city eventually agreed to write a new version of the plan that included community feedback. As a result only 56 residents, instead of 1,200 were affected. The Lawndale Alliance initiative is only one of few instances where community advisory councils have succeeded in lobbying the city to revise its plans on this large a scale. However, nothing prevents other community groups from pursuing a similar strategy.

If the City of Chicago were ever to implement community advisory boards, groups like Blocks Together, the Lawndale Alliance, and R.A.G.E. will have already begun developing both the model and the mechanism for ensuring that such boards represent a diverse cross-section of west side communities. RAGE or similar neighborhood organizing groups in Englewood may want to replicate some of the vision and efforts of Blocks Together.

5. Community Organizations Could Implement Evaluation Procedures that Correspond to the Stated Goals of Each TIF Project

“We have a lot of skills and creativity in this community. Some of us not only know what we want, but we have plans for how we want to get there.”

-Joe King, Englewood resident

TIF spending projects should be evaluated based on whether they advance the goals they were originally commissioned to pursue. The goals of each project should not be standardized throughout each city, or even district, but rather should be responsive to the localized needs of each community. The needs of Englewood residents may be different than the needs of people living in Hyde Park. The City of Chicago could draft a standard set of metrics from which to evaluate the progress of each project based on its original stated goal. This process can be a joint undertaking between city officials, developers, and neighborhood

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73 For more information about Blocks Together and the organizations strategy for TIF reform, see http://www.btchicago.org/.

residents to craft sensible measures for the success of each project. For example, specific and measurable goals could include the creation of a defined number of jobs, or access to municipal infrastructure for a certain amount of residents that would not have existed but for the TIF spending. Defined timelines and follow-through in evaluations are necessary to ensure this goal. The City could implement an evaluation process of each project 6 months into the project, when the project is complete, and for a time after the project is complete in order to track the correlation of success based on each project’s goal.

Future funding should be withheld if developers substantially deviate from the goals agreed on with community residents. Agreeing upon clear metrics from the outset of a project offers the dual benefit of both expressing why a project deserves subsidy and ensuring that the project does not lose sight of those goals as it progresses.

Chicago’s Northwest Corridor TIF presents a relevant case study for the importance of local stakeholders being included in the evaluation for tracking project performance. The TIF was created in 1998 with the objective of redeveloping a large area of blighted industrial sites, including a vacant 390,000 sq. ft. manufacturing owned by numerous real estate investors. These owners reached a tentative deal with Coca-Cola to establish a bottling and distribution facility on the site in exchange for $7 million in improvements and upgrades. However, Coca-Cola’s lease payments would not be high enough to justify the investment. The City of Chicago offered to meet this rent gap in exchange for a guarantee of the creation of 244 jobs residents. The deal required Coca-Cola to pay penalties of up to $215,000 annually if the company failed to meet this employment requirement for any given year.

The public interest watchdog group Illinois PIRG examined 21 TIF-related projects in Chicago that promised to generate at least 200 jobs each, and the Northwest Corridor TIF was the only project to receive overall satisfactory marks, based on the plan’s successful and transparent front-lining plan for job creation, monitoring metrics, and enforcement mechanisms. However, some local residents were highly critical of the project because of the more than 244 jobs created, only 28 went to people who lived in or around the neighborhood where the Coca-Cola plant was built. Therefore only ten percent of the new jobs ever actually


76 Id. at 17.

77 Id. at 18.

ended up in the hands of local residents. The lack of community inclusion in the evaluation process thus leads to differing definitions of success. Community residents and city officials should therefore agree on the goals, and evaluation for the project’s progress, on the outset of each new plan. This could be done though the implementation of a community advisory or a joint review board which is already required under that TIF statutory scheme. What must be expanded however, is the role of community residents in this review process itself. Otherwise the City of Chicago can continue to tout TIF projects that do little to economically revitalize communities as success stories while the perception of these projects in the local neighborhoods remains negative.

Englewood Residents should be part of the evaluation process on whether projects such as the Whole Foods in the neighborhood actually achieve their stated goals. Grassroots campaigns could also attempt to block future TIF plans unless tangible and verifiable benefits are promised to the community. A specific and clear penalty in failing to maintain any guarantees is crucial to hold any new businesses or developers accountable in making sure that these promises are actually fulfilled. Community benefit agreements can often be an instrumental part of this process.

D. Toward Community Benefit Agreements

Community benefit agreements are legally enforceable contracts that are negotiated and executed directly between the project developer or businesses and community associations, unions, or environmental organizations which represent the interests of the people who will be impacted by proposed new developments. The community receives the assurance of tangible benefits, such as the creation of a set number of jobs, in return for public support (or at least the absence of organized opposition) to proposed plans. Community benefits are usually contracts between two private parties—a developer and a community organization or coalition. Cities, municipalities, or local politicians can assist in brokering these agreements, and they usually can help enforce the conditions of these agreements. Community benefit agreements are often most successful when they are brokered by a coalition of concerned organizations that represent the interests of neighborhood residents. 

Community groups in Englewood may consider organizing to pressure Whole Foods or similar developers or businesses that rely at least in part on TIF funding to contract with the community based on specific demands. Those demands, which must be responsive to the feedback from neighborhood residents themselves, may focus on guaranteeing a set number of jobs, or space on shelves for a specific number of local vendors or product. In 2008, a coalition of southside organizations called Communities for an Equitable Olympics 2016 initiated a

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campaign for a community benefit agreement that would put local residents first in line for the new jobs, training and mass transit upgrades that would have been secured if Chicago had been chosen as the 2016 Olympic host city. The coalition successfully enlisted the aid of aldermen who introduced an ordinance that would have required Chicago 2016 to adopt such an agreement and provide a framework for the terms. If Chicago had won the Olympic bid, such an agreement might have successfully bound the City to terms first initiated by community groups themselves.

In Englewood, a similar strategy could be pursued in which friendly aldermen or city officials are enlisted to help push community benefit agreements forward. Youth involvement, community agriculture initiatives, and securing jobs for ex-offenders are all Englewood-specific needs or initiatives that may be possibilities for inclusion in future community benefit agreements.

Conclusion

This report attempts to synthesize and simplify the often inaccessible and half-concealed process that is TIF funding. First however, it must be mentioned that no consensus exists on what constitutes neighborhood “blight,” and that this concept itself has sometimes been used as an excuse to “improve” communities by imposing outside changes at the expense of local residents, whose voices, often already marginalized, are then ignored altogether. The legacies of racism and wealth disparities in this country make that danger, inherent to TIF’s very mission, all the more real. Englewood residents are no strangers to these concerns. As the neighborhood already faces the effects the racism, poverty, unemployment, gang violence, and disproportionate levels of incarceration, the added threat of gentrification should not be added to the mix. The TIF-sponsored Whole Foods project is but one recent example of changes being forced on a community without any input and little agency from residents.

What, then, can Englewood residents do? TIF reformers themselves disagree. Some would abolish the TIF process altogether and argue that any reform attempts really just mitigate the harm of an inherently exploitative affair. Others argue for effecting changes in order to make the process more democratic, transparent, and responsive to local aspirations so that TIF funds do what they are supposed to-revitalize communities, in a way that is organic to those communities themselves. What is clear, however, is that community education, local agency, and grassroots organizing will be key to whatever solutions are pursued. RAGE already has an impressive working model for Englewood residents to get directly involved on issues that affect their lives. The potential for groups like RAGE to educate the public about what TIFs are, how they work, and ways they can be changed, is great. The next step is to turn that awareness into action, to force local decision-makers to listen and respond to community input.

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82 Id.
This report hopes to equip Englewood organizers with information to further this important discussion in their community so that the residents themselves can decide how next to act.

This report is meant only to start the conversation. It must now be continued in Englewood public information gatherings, in city hall, in aldermen offices, and in coalition meetings between numerous organizing groups committed to grassroots change. The challenges facing Englewood residents with regard to TIF spending are twofold: (1) how to ensure that outside plans, such as the Whole Foods TIF project, that were imposed on the neighborhood somehow benefit the community with the creation of jobs or increased funding that stays within the area, and (2) how to lobby local decision-makers through pressure campaigns, direct action, and public awareness, to be responsive to resident aspirations for any future TIF spending on local projects. Ultimately, the TIF process should be controlled by the communities each project is commissioned to serve. In an era of increased privatization, gentrification and private development, especially relevant for Chicago neighborhoods, these tasks may seem like an insurmountable challenge. Yet Englewood residents have proven to be resilient, creative, and persistent in the face of many such obstacles that threaten the existence of their community. With the increased knowledge of how the TIF process works, Englewood residents can add their expertise in community organizing to forge a new model for TIF reform with lasting local and national implications for greater public access and citizen democracy.
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Appendix A

**What Do You Know About TIFs?**

Know your rights! It's important to know what is happening in your community and to know what you can do legally. Ask questions and be involved!

- When a TIF district is created, all the property taxes generated in that year are calculated and all property tax increase above that is channeled to the TIF.
- Where has YOUR money been going???
- TIF funds are free to move between TIF districts so long as the TIF districts are contiguous, or touching (65 ILCS 5/11-74.4-4).
- This means the City of Chicago can take YOUR money out of Englewood, down into the Loop!
- The municipality shall by its corporate authority create an "interested parties“ registry for activities related to the redevelopment project area. (65 ILCS 5/11-74.4-4.2)
- Have YOU seen the "interested parties“ registry for Englewood yet???
- Prior to holding a public hearing to approve or amend a redevelopment plan or to designate or add additional parcels of property to a redevelopment project area, the municipality shall convene a joint review board. (65 ILCS 5/11-74.4-5)
- Who is on YOUR review board???
- Taxpayers have standing to bring a suit challenging the formation of a TIF under § 74.4-1 (Malec v. City of Belleville, 384 Ill. App. 3d, 465 (2008))
- Know YOUR rights!