The
Civic
Federation

Assessing the Impact of Tax Increment Financing in Northeastern Illinois

Empirical Analysis and Case Studies

Executive Summary

March 1997

Foreword

THE CIVIC FEDERATION HAS MONITORED AND EVALUATED the tax policies and financial practices of local governments in Northeastern Illinois for over a century. We have always had a particular interest in evaluating the operation and impact of tax incentive programs provided by state and local government to spur economic development.

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

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

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

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

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

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

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Introduction

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

TIF is popular with many municipal officials in Illinois because it is viewed as a means of attracting private development and consequently expanding local tax bases without raising property taxes or tapping into general funds. However, its use has generated controversy in its application and in its impact on overlying taxing districts. The TIF statute's definition of "blight" is not well defined and as a result can be broadly interpreted. Furthermore, it allows municipal officials to unilaterally make important financial decisions that affect the tax base of school districts and other overlying districts. Despite the popularity of tax increment financing in Illinois and the controversy that surrounds its use, there has been little effort to date to either compile comparative data or to evaluate the impact of TIF upon local governments.

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

Methodology

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

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

The Project's second component consisted of case studies of tax increment finance districts in the City of Chicago and suburban Cook County. In conducting the case studies, researchers interviewed officials from municipalities, overlying taxing bodies and community organizations, and reviewed relevant TIF district and municipal public documents including Redevelopment Plans and

Methodology, continued

Agreements, City Council proceedings, and municipal financial reports. Researchers examined the fiscal impact of TIF on the property tax base of municipalities and other taxing bodies and attempted to evaluate whether the projects met their original redevelopment goals. They also examined municipal and overlying taxing body relations regarding TIF district adoption and operation.

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

Given the small size of the sample, it is not possible to draw broad conclusions about TIF from these ten cases. However, the case studies are useful in providing a "snapshot" of how TIF has operated in practice in these different municipal environments.

Summary of Findings

The following section briefly describes the major findings of both components of the Northeastern Illinois Tax Increment Financing Project. For a fuller discussion of major findings, the reader is directed to the executive summaries found in succeeding pages.

Regional Database

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

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

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

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

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

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

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

Case Studies

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

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

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

How TIF Works

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

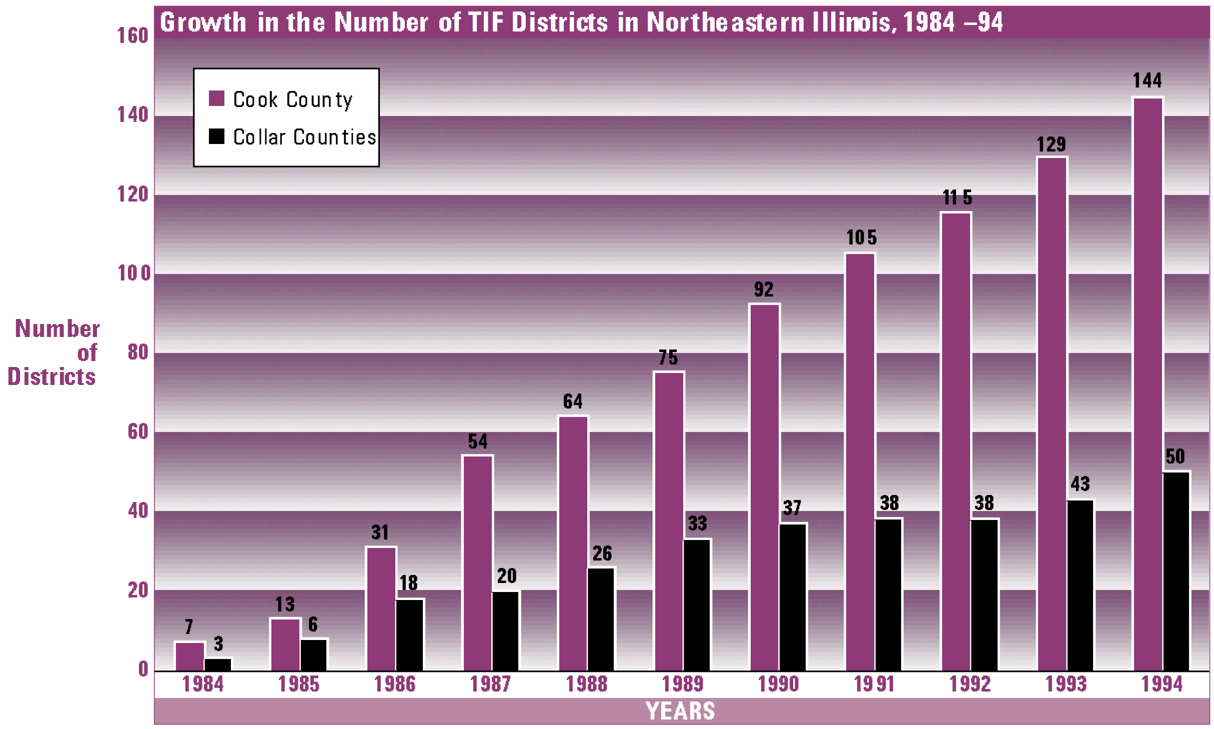
Tax increment financing is a popular economic development tool, authorized in 44 states. Begun in California in 1952, its use has increased dramatically over the past two decades, largely as a result of the decline of federal and state economic development funding. The states that most frequently employ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

Summary of TIF Case Study Findings

	City Of Chicago	Suburban Cook
Why Was TIF Selected?	1) The projects under consideration would not qualify for federal economic development assistance and/or 2) State and local incentives available would be insufficient for project completion.	1) The projects under consideration would not qualify for federal economic development assistance and/or 2) State and local incentives available would be insufficient for project completion 3) TIF was used to level the "playing field" with lower tax outlying counties in the attraction of business and employment.
Planning Context	The City undertook a great deal of market analysis and incorporated community input into the development of the North Loop and Near South TIF districts. In the case of the three neighborhood TIF districts, TIF was adopted in response to developer projects, outside the context of a comprehensive community plan and with less community input.	With the exception of the Schaumburg district, TIF districts were implemented without a broader community planning context. TIF in these cases was used to address site specific development problems, rather than as a tool to achieve broad economic development objectives.
TIF Funding	Three of the five TIF districts were financed through limited obligation bonds. The North Loop TIF district was financed with general obligation bonds.	
Public Comment	There was a degree of citizen participation at mandatory public meetings held prior to TIF district adoption. However, there was little citizen participation in planning process except in the cases of the Near South TIF district and the North Loop TIF district.	All of the communities had some level of citizen participation at the mandatory public meeting held prior to the TIF district adoption.
Intergovernmental Review	Overlying governments did not monitor TIF development or participate in Joint Review Boards to any appreciable degree.	There was an appreciable level of intergovernmental review only in Homewood and Matteson.
EAV Trends	Compounded EAV growth in each TIF district greatly outpaced compounded EAV growth for the entire City of Chicago during comparable periods.	Compounded EAV growth for 4 of 5 TIF districts greatly outpaced EAV growth for their respective communities during comparable periods. Compounded EAV growth in the Berwyn TIF district was greater than in the entire municipality, but at a much slower rate than in the other communities.
Economic Development Results	Four of the five TIF districts experienced substantial development; no development has yet occurred in the 95th & Stony Island TIF District.	Each community experienced new investment within its TIF district. TIF proceeds were used to subsidize tax rates for developers and "level the playing field" with the collar counties in three of the communities.
Data Limitations	Data on broad public benefits of TIF, such as number of jobs created or private investment dollars generated, are not maintained or readily available.	Data on broad public benefits of TIF, such as number of jobs created or private investment dollars attracted, are not maintained or readily available.

Tax Increment Financing in Illinois

Property tax TIF districts were initially authorized in Illinois in 1977 by the Tax Increment Allocation Redevelopment Act.[1] In 1985, the program was expanded to capture sales and utility tax revenues as well. Participation in the state sales and utility tax program was subsequently limited to TIF districts established prior to 1987, and the amount of state sales tax TIF revenues has been limited by appropriation.



Source: Illinois Department of Revenue, Property Tax Statistics

Tax increment financing is a very popular economic development tool in Illinois, especially in the populous six-county region comprising the state's northeastern region. The above figure shows the growth in the number of TIF districts in northeastern Illinois between 1984 and 1994. During this period, the total number of TIF districts skyrocketed from 10 to 194. The number of districts in Cook County rose from 7 to 144. In the five collar counties of Du Page, Lake, Kane, Will and McHenry, the number of TIF districts increased from just 3 in 1984 to 50 ten years later.

The Controversy Over Tax Increment Financing

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

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

1 65 ILCS 5/11-74.4-1.

Evaluating TIF in Illinois

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

The Controversy Over Tax Increment Financing, continued

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

The major advantages and disadvantages of TIF are summarized in the table on the opposite page.

Executive Summary:

A Comparative Analysis of Tax Increment Financing in Northeastern Illinois

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

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

Does TIF adoption cause growth or does anticipated growth cause TIF adoption? A clean statistical test of this basic question is very difficult and may not be possible even with the rich data set developed for this study. Other important research questions about the use and impact of tax increment financing can, however, be addressed:

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

The Database

Researchers at the Institute of Government and Public Affairs have compiled a multi-year database for the northeastern Illinois region comprising Cook, Du Page, Kane, Lake, McHenry, and Will Counties. The database links property tax, sales tax, population, and other information for each municipality, each TIF district, and all other local governments in the region.[1] The 247 municipalities in the sample are broken down by county and by whether or not they had one or more TIF districts starting anytime during the period from 1982 to 1993 as follows:[2]

Location	Non-TIF Municipalities	TIF-Adopting Municipalities
Cook County	53	60
Collar Counties	101	33

Note that a majority of the municipalities with TIF districts are in Cook County and that a majority of the municipalities in Cook County have at least one TIF district.

The breakdown of the ninety-three TIF-adopting municipalities in the sample by the year in which they first adopted tax increment financing follows below:

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

Few of the municipalities in the sample have TIF districts in place at the beginning of the 1980s, and the largest number of adoptions take place in 1986 and 1990. The surge in adoptions in 1986 can be explained by the narrow time window during which municipalities had the opportunity to share in state sales tax revenues as an extra incentive to adopt TIF.

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

1 The data could not have been obtained without the generous cooperation of the Illinois Department of Revenue, the tax extension departments of each of the six county clerks, the Northeastern Illinois Planning Commission, the Illinois Department of Commerce and Community Affairs, and the Illinois State Board of Education.

2 Not included in the sample are Chicago, which due to its size is not useful for comparative purposes, three municipalities that first adopted TIF prior to tax year 1982, one municipality with a TIF district that straddles Lake and Cook counties (Deerfield), one municipality (Hoffman Estates) that required a special legislative exception, two municipalities that dissolved their only TIF district during the sample period, and thirteen municipalities that were either not incorporated at the beginning of the sample period or are missing data on property taxes, population, or some other variable.

Descriptive Statistical Analysis

What are the Characteristics of Municipalities That Adopt TIF?

Table 1 presents descriptive statistics comparing the sample municipalities that never adopted tax increment financing with those that did. The non-TIF-adopting municipalities are, on average, much smaller in population size and have higher per capita incomes than the TIF-adopting municipalities. Over time, the non-TIF-adopting municipalities have experienced faster growth in population.

Table 1:
Mean Values of Selected Variables Over the 1982–1993 Period by TIF Status

Variable	Non-TIF	TIF-Adopting
Population	9,743	22,473
Income in 1989 ($ per capita)	22,277	17,331
Growth in Population (% per year)	2.12	1.00
EAV Inclusive of TIF ($ per capita)	15,177	15,862
Municipal Property Tax Rate (%)	0.96	1.53
Combined Property Tax Rate (%)	7.83	9.07
Non-Residential/Total EAV (%)	30.10	43.68
Municipal 1% Share of Sales Tax Collections ($ per capita)	93	112
Growth in EAV inclusive of TIF (% per year)	8.90	7.36

The TIF-adopting and non-TIF-adopting municipalities have roughly the same property tax base per capita, but the TIF-adopting municipalities have substantially higher tax rates (both the municipal rate and the combined rate for all local governments, which applies to any TIF increment). The composition of the tax base also differs across the two groups. Non-residential property represents a much smaller fraction of the tax base in the non-TIF-adopting municipalities. With a smaller share of commercial and industrial property, it is not surprising that revenue from the municipal share of the sales tax is smaller for the non-TIF-adopting group.

Even though the decision to adopt TIF is made by the municipality, access of the affected school districts to formula-based aid can greatly alter the burden on local taxpayers. For most school districts in Illinois, lower property values mean higher equalizing aid payments, so some of the tax base captured by a TIF district may be offset by increased state aid. However, for districts in the “flat grant” range of the Illinois aid formula, there is no offsetting increase in aid and thus a stronger incentive to resist municipal TIF-adoption decisions. The numbers are not shown in the table, but eighty-five percent of the TIF-adopting municipalities have school districts in the equalizing range of the school aid formula, compared to only seventy-three percent of the non-TIF-adopting municipalities.

How Do Growth Rates in Property Values Compare Between Municipalities Containing TIF Districts and Municipalities That Do Not?

The final row in Table 1 presents one of the key variables of interest in this study, the annual growth rate of taxable property value (EAV inclusive of TIF district). Note that the EAV in the non-TIF-adopting municipalities grew at an average of 8.90 percent per year compared to only 7.36 percent per year in the TIF-adopting municipalities. One possible explanation of this is that municipalities with the highest growth rates are not attracted to TIF as an economic development incentive. Nor, it appears, are these municipalities attracted to TIF as a device to capture would-be revenues from other overlying governments. But the author cautions against reading too much into this simple comparison of the two groups.

Descriptive Statistical Analysis, continued

How Do Growth Rates in Property Values Compare Between the Years Before Municipalities Adopt TIF and the Years After?

The next stage of the analysis is to split the TIF-adopting municipalities into before- and after-adoption groups for each time period in order to compare growth rates in EAV. The results from this comparison are not presented in this summary, but can be characterized as inconclusive. We will return to this question below.

How Do Growth Rates in Property Values Compare Between the Portion of a Municipality Containing a TIF District and the Remainder of the Same Municipality?

The data set can be used to compare EAV growth rates for the TIF and non-TIF portions of the same municipality. This is a crude comparison for a number of reasons. Some of the increase in non-TIF EAV may be due to expansion of the boundaries of the municipality. Or, if a particular TIF project involves putting new structures on vacant, sparsely-developed, or municipally-owned land, then we should expect a very high percentage increase in EAV within the TIF district. In 26 of the 79 municipalities used for this comparison, the EAV within the TIF district grew at a slower rate than property outside the TIF district. This suggests that in many cases TIF does not lead to a relative increase in property values, but, of course, says nothing about the success of TIF in arresting a decline in property values in certain areas.

Multiple Regression Statistical Analysis

Revisiting the Comparative Questions With Multiple Regression Analysis

Most readers will have noticed that many of the individual measures in Table 1 are highly correlated. Having observed that TIF-adopting municipalities are more likely to be in Cook County, it is not surprising to find that TIF-adopting municipalities are larger, have lower per capita incomes, are slower-growing, and have more non-residential EAV. It remains then to move beyond the simple statistical technique of comparing the mean values of different variables for TIF-status groupings and to revisit the basic research questions.

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

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

Predicting TIF Adoption: Revisiting the "Characteristics" Question

A model with the ambitious goal of predicting the first year of TIF adoption has absolutely no success. But, as noted, there are problems with specifying a unique starting year. A more modest objective is to attempt to predict whether a municipality ever adopts TIF by combining the data for the entire period. There is pre-adoption data on growth in population, income, sales tax collections, and property value. Including annual measures for the other variables results in a model that is able to correctly predict adoption of TIF for two-thirds of the TIF-adopting municipalities. Only the variables for population and for non-residential share of EAV appear to be statistically significant determinants of TIF adoption and distinct from the other correlated variables; municipalities with larger populations and a greater non-residential share of EAV are more likely to have adopted TIF. It may be that many of the factors that explain TIF adoption are more site- and community-specific and are not captured in the municipal-level data used in this study.

The Relationship Between TIF and Growth in Municipal EAV: Revisiting the "With and Without TIF" and "Before and After TIF Adoption" Questions

Another regression model attempts to explain the variation across municipalities in the annual growth rates in EAV (inclusive of the TIF district). By pooling observations from all municipalities in all years, this specification effectively combines the "with and without TIF" and "before and after TIF" questions. The variables for population, income, tax rates, residential share of EAV, sales tax collections, home-rule status, school-aid status, county, and year account for just twenty-nine percent of the variation in EAV growth rates. Adding in a TIF-status variable does not help explain any of the remaining variation in EAV growth. To restate this important result: There is no apparent relationship between the presence of a TIF district and annual growth in municipality-wide EAV. This is not to say that TIF does not increase EAV within some specific districts or overall for some specific municipalities. However, either because TIF districts are too small to have a measurable impact on the EAV of the entire municipality or because successful TIF districts in some municipalities are offset by unsuccessful TIF districts in other municipalities, there is no statistically discernible overall effect on the EAV of municipalities in the Northeastern Illinois sample. In addition, the concentration on the year-to-year growth rate of EAV might obscure success in increasing growth rates measured over a multiple-year period.

Conclusion

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

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

Another finding is that the presence of a TIF district in a municipality in a given year seems to have no statistically significant impact on the growth rate of assessed property value for the entire municipality. Future research may be able to find a discernible impact of TIF on EAV if a growth period longer than one year is specified. If a positive association between TIF and EAV growth emerges from such a specification, it may then be possible to go the next step and apply statistical techniques that attempt to sort out the direction of causation: Does anticipated growth cause TIF adoption, or does TIF adoption cause growth? But for now, that question remains unanswered.

Executive Summary:

Chicago Tax Increment Financing Case Studies

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Consultant for the Metropolitan Planning Council

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

Table 1:
Chicago Case Study Sample

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

Objectives

The objectives of the Chicago case studies were to document:

1. What factors prompted the City of Chicago to adopt TIF?;
2. What types of planning processes were undertaken prior to the TIF district's implementation?;
3. What kinds of financing were used to develop the TIF district?;

Objectives, continued

4. What was the scope of public comment and/or concerns and intergovernmental review by overlying taxing jurisdictions?;
5. Whether amendments were made to the original TIF district and to what extent did these amendments expand or contract TIF activity and obligations?; and
6. What was the performance of the TIF district based on trends in Equalized Assessed Value (EAV) since its inception and evidence of physical development within the district?

Consideration of these questions is followed by a discussion of the impact of data limitations on evaluation of TIF.

To conduct the case studies, City of Chicago and community officials were interviewed and relevant documents were reviewed, including Redevelopment Plans and Agreements, City Council proceedings, and municipal financial reports. In many instances, personal interviews were the only source of information available. Opinions expressed in this study are the collective representations of those interviewed, not the author.

Why Was TIF Selected?

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

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

Planning Context

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

In the case of two of the three neighborhood TIF districts—West Ridge-Peterson and 95th & Stony Island—tax increment financing was adopted in response to developer projects, outside the context of a comprehensive community plan, and with limited community input. The developer also was the driving force behind creation of the Division and North Branch TIF district. However, it is important to note that this district was designed to complement the City's designation of Planned Manufacturing Districts.

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

TIF District Funding and Revenues

The City uses gap analysis to determine the amount of financial assistance a project will be awarded. This method requires developers to submit two sets of operating statement projections — one showing project operations without any public assistance, and the other showing the project operations with assistance. This illustrates the amount of assistance the developer believes is needed to make a project worthy of investment, which the City then incorporates into its own analysis. The City does not usually provide assistance greater than 20%–25% of a given project's costs.

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

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

Public Comment and Intergovernmental Review

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

In the case of the three neighborhood TIF districts, there appeared to be limited citizen participation in the discussions that preceded district development. In contrast, in the Near South and North Loop TIF districts, community residents were involved in meetings to develop guidelines that were later used in developing the TIF district. Even so, when the Near South TIF District was amended, some community members expressed concern that it was amended primarily for the benefit of the developer rather than for broader community goals.

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

TIF Amendments

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

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

TIF Amendments, continued

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

EAV Trends

The aggregate and compounded annual growth rates of equalized assessed valuation for the five case studies is shown in Tables 2 and 3 below and on the next page.

Table 2:
Aggregate Annual EAV Growth Rates

Measure	W. Ridge-Peterson	Division-North Branch	95th-Stony Island	North Loop	Near South*
Base Year	1986	1991	1990	1984	1990
% Increase in EAV from Base Year to 1995 in TIF District	163%	487%	94%	611%	24%
% Increase in All Chicago EAV from Base Year to 1995	60%	9%	11%	95%	11%

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

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

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

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

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

Table 3:
Compound Annual EAV Growth Rates

Measure	W. Ridge-Peterson	Division-North Branch	95th-Stony Island	North Loop	Near South*
Base Year	1986	1991	1990	1984	1990
Compound Annual Growth Rate in TIF District EAV	11%	34%	14%	16%	11%
Compound Annual Growth Rate in Chicago EAV	5.4%	4.7%	2.1%	5.8%	0.5%

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

The Economic Development Results of TIF

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

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

West Ridge-Peterson

A shopping center was constructed, anchored by a Venture store, three other retail spaces and two outlots.

Division and North Branch

Facilities for the River North Distributing Company were constructed.

The North Loop

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

Near South

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

95th and Stony Island

This TIF district has not yet experienced any significant redevelopment activity. The original intended purpose of the TIF district was the establishment of a new shopping center, which has not been built.

Limitations of Data for Evaluation

Data on the broad public benefits of tax increment financing are not systematically maintained and/or made readily available by the City of Chicago. The lack of data makes a comprehensive measurement or evaluation of the long-term economic development benefits of tax increment financing difficult. It is important to note that state statute does not require the maintenance of such records.

As a rule, the City does not maintain data for all TIF districts on the number of jobs created and the amount of private investment dollars generated, although these are often stated as important policy objectives of TIF projects. In addition, data are not readily available regarding City expenditures for TIF district administration and service provision, making it difficult to assess the actual cost of TIF to municipal taxpayers on a per project basis.

Executive Summary:

Suburban Cook County Tax Increment Financing Case Studies

David Silverman
S.B. Friedman & Company

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

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

Table 1:
Suburban Cook Case Study Sample

TIF District	Year Created	TIF Type	Initial Obligation	Size of TIF District	Base EAV
Berwyn Theater Redevelopment Area	1988	Mixed Development	$2,400,000	23.1 acres	$5,856,633
Franklin Park Redevelopment Project Area #3	1989	Mixed Development	$3,660,000	17.3 acres	$1,036,818
Homewood CBD Redevelopment Area	1978	Central Business District	$4,210,000	18 acres	$816,155
Matteson Industrial Conservation Area	1989	Industrial	$6,900,000	153 acres	$2,934,077
Olde Schaumburg Center	1989	CBD	$7,270,000	123 acres	$10,754,500

Objectives

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

1. What factors prompted the municipality to adopt TIF?;
2. What types of planning processes were undertaken prior to the TIF district's implementation?;
3. What were the community's specific eligibility findings and planned projects identified within their Eligibility Study and Redevelopment Project and Plan?;

Objectives, continued

4. What kinds of financing were used to develop the TIF district?;
5. What was the scope of public comment and/or concerns and intergovernmental review by overlying taxing jurisdictions?;
6. Were amendments were made to the original TIF district and to what extent did these amendments expand or contract TIF activity and obligations?; and
7. What was the performance of the TIF based on trends in Equalized Assessed Value (EAV) since its inception and evidence of physical development within the district?

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

Why Was TIF Selected?

The selection of TIF as the most appropriate device to achieve community redevelopment objectives was either project- or problem-driven within the five communities studied.

The project-driven TIF districts were specifically implemented to accommodate a particular private development proposal. In these cases, the developers were prepared to make investments in particular areas, provided that the communities could offer inducements to defray certain costs, usually infrastructure improvements.

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

According to interviews with municipal officials, TIF was one in a very limited array of state economic development programs available for communities. Furthermore, the demographics of the communities surveyed precluded them from participating in many of the available federal economic development programs. Among the specific reasons given by the communities for their selection of TIF were:

Berwyn

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

Franklin Park

The TIF district was established at developer’s request to finance infrastructure improvements, specifically site water drainage problems.

Homewood

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

Matteson

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

Schaumburg

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

Planning Context

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

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

TIF District Funding and Revenues

TIF district income was used to finance both private redevelopment costs and public improvements that would facilitate the private redevelopment efforts. Information was available about the use of TIF district income from two of the five communities surveyed. These allocation patterns revealed the following:

Homewood

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

Matteson

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

TIF District Funding and Revenues, continued

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

Franklin Park

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

Homewood

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

Matteson

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

Schaumburg

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

State statute requires that "surplus revenues," that is, revenues collected in excess of the amount committed or budgeted in a given year, be distributed to all affected taxing bodies on a pro-rata basis. All of the communities have a policy of complying with that requirement. The communities surveyed that enjoyed surplus revenues reinvested these funds back into the TIF district, with the approval of the overlying jurisdictions. Matteson restructured its development incentive package using surplus revenues to reimburse the developer for investments in public infrastructure improvements. Homewood has used surplus revenue to finance its facade improvement program in its Central Business District TIF district.

Public Comment and Intergovernmental Review

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

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

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

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

TIF Amendments

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

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

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

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

EAV Trends

Tables 2 and 3 below provide an analysis of EAV trends within the five communities. In each case, the performance of the TIF district—in terms of EAV growth on both an aggregate and compound annual rate basis—outpaced EAV growth for the community as a whole.

Table 2:
Aggregate EAV Growth Rates

Measure Schaumburg	Berwyn	Franklin Park	Homewood	Matteson	
Base Year	1988	1989	1978	1989	1989
% Increase in EAV from Base Year to 1995 in TIF District	55.5%	299.4%	1,329.9%	443.5%	267.0%
% Increase in Community-Wide EAV from Base Year to 1995	45.4%	28.3%	102.3%	41.8%	35.3%

Table 3:
Compound Annual EAV Growth Rates

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

EAV Trends, continued

As the tables show, performance within each community varied. Berwyn, which has experienced both demographic and economic decline, showed the weakest growth. EAV growth in The Berwyn Theater Redevelopment Area outperformed EAV growth for Berwyn as a whole, but marginally. In Berwyn, the data suggests that either the area would have declined in value "but for" the TIF district, or that the TIF district was ineffective. In the other four communities the differences in growth would appear to be significant and the result of the use of TIF.

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

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

The Economic Development Results of TIF

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

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

Berwyn

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

Franklin Park

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

Homewood

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

Matteson

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

Schaumburg

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

Limitations of Data for Evaluation

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

Participants in the Northeastern Illinois Tax Increment Finance Project

The Civic Federation

The Civic Federation is a nonpartisan government and fiscal watchdog and research organization founded in 1894. The Federation provides three primary services. First, it promotes efficiency and economy in the organization and management of public business. Second, it guards against excessive taxation and wasteful expenditure of public funds. Finally, the organization serves as a technical resource providing nonpartisan information regarding revenues and expenditures.

The Metropolitan Planning Council

The Metropolitan Planning Council is an independent, nonprofit group of business, civic and planning leaders working in the public interest to achieve policy that enhances the vitality and livability of the Chicago metropolitan region. Established in 1934, MPC mobilizes leadership around regional solutions to the issues of housing, transportation, land use and urban development.

The Institute of Government and Public Affairs

The Institute of Government and Public Affairs is an all-university unit of the University of Illinois with offices on the Chicago, Springfield, and Urbana-Champaign campuses. IGPA has a dual mission: to perform and disseminate research on public policy issues and the public decision-making process, and to facilitate the application of such research to the issues and problems confronting decision makers and others who address public issues.

The Civic Federation

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