

MEGATIFS RACIAL EQUITY IMPACT ASSESSMENT

What are the benefits and burdens of
Tax-Increment Financing (TIF) in Chicago?



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TAKEAWAYS

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The MegaTIFs racial equity impact assessment (REIA) was an inclusive, community-led process that examined the effects of two megadevelopments, Lincoln Yards and The 78, and the City's decision to subsidize these developments through tax-increment financing (TIF).

TIF is a tool for the City to use tomorrow's tax dollars to pay for development today. Chicago uses TIF more than any other major American city: more than 1 out of every 4 properties in the City is in a TIF district, and TIF districts collected more than one-third of all property tax revenue generated in the City. The TIFs supporting Lincoln Yards and The 78 raised particular concerns in part because of their size - at over \$1 billion each over 23 years, they dwarf all other TIFs - and because these two TIFs only debatably (if at all) satisfy the goal and foundational requirements under state law for TIF.

The REIA was structured around the communities most likely to face direct impacts from the projects. Outreach started with the neighborhoods adjacent to both TIF districts, with a focus on communities in the areas closest to Lincoln Yards and The 78 who were at risk of displacement, who had been harmed by planning and development projects in the past, and who were otherwise marginalized in the process of shaping the future of these project sites. Also targeted were the communities most harmed by disinvestment and inequitable investment, and the communities most harmed by pollution and industrial relocations.

These TIFs are a bad deal for Chicago.

REIA participants viewed the city's huge financial commitments for infrastructure projects in these TIFs as bad uses of public funds that benefit very few. These TIFs are capturing tax dollars that would have been generated anyway, to fund projects that benefit the wealthiest parts of town, to the tune of \$2.4 billion in tax dollars over twenty-three years. That's over \$100 million per year. This spending now seems indefensible, in light of the pandemic and the budget hole.

They're going to capture property tax value.

Lincoln Yards and The 78 are prime real estate, adjacent to the highest-value neighborhoods in the city. These properties don't need TIF or other public subsidy to entice development; TIF expenditures like these are intended to attract private capital and kickstart development where it otherwise wouldn't occur. The South Loop, Lincoln Park, and Bucktown don't fit the bill.

Because development would have occurred on these properties without TIF, both TIFs are capturing, rather than creating, a good chunk of the property taxes that will now be used to pay Sterling Bay and Related Midwest. This means public agency budgets will be shortchanged, property tax burdens outside the TIFs will increase to compensate, or both.

Of that \$2.4 billion in tax dollars, \$1 billion pays for transportation infrastructure improvements for each developer, including three new bridges across the Chicago River at Lincoln Yards and a new CTA Red Line station outside The 78, which is already within half a mile of three CTA stations. Both projects are viable without these costly, publicly-funded infrastructure projects.

The burdens will disproportionately fall on Black, Latino, and Asian Chicagoans.

The pressure on public agency budgets and property taxpayers outside the TIF districts will disproportionately harm Black, Latino, and Asian communities who are more likely to enjoy public schools, transit, and other services than White Chicagoans, and who already pay disproportionately higher property tax rates.

These mega-developments will accelerate the housing market pressures that are already causing displacement in adjacent or nearby neighborhoods that are predominantly Black, Latino, and Asian — The 78 borders Pilsen, Chinatown, and Bronzeville, and Lincoln Yards is located near, but not adjacent to, Logan Square, Humboldt Park, and Avondale.

Lincoln Yards also represents the culmination of a different type of displacement: the city's years-long effort to shift polluting industry from the North Branch Industrial Corridor to industrial districts primarily on the south and west sides.

Chicago's leadership can act now to prevent further harm to the most impacted communities.

Overhauling the system that allowed this to happen will take time and may have to involve the state legislature, but there are immediate actions the City can take to prevent further harm in the meantime, including:

- Stopping the relocation of General Iron to the Southeast Side.
- Implementing policies to better protect communities around both developments from residential and commercial displacement.
- Pausing TIF-funded infrastructure projects at both sites on which work has not yet started. The city has to affirmatively approve each phase of the TIF Redevelopment Agreements. It's time to subject these TIF designations, redevelopment agreements, and planned developments to a meaningful public process.

Chicago needs a planning and development paradigm shift.

REIA participants stressed the need for a complete overhaul of our planning institutions and decision making processes. Participants repeatedly expressed fear that the city might continue to use equity and inclusion as window dressing on what is otherwise business as usual.

The new citywide planning process called We Will Chicago presents an opportunity to model a new way forward. The city should heed advocates' calls for community-development advisory councils for a community-driven planning process that center communities which experience the greatest level of disinvestment.

BACKGROUND

In April 2019, the final days of the previous mayoral administration, the Chicago City Council approved \$2.4 billion in new tax increment financing (TIF) for two mega-development projects: Sterling Bay's Lincoln Yards, along the North Branch of the Chicago River, and Related Midwest's The 78 project, on the Near South Side. As planned, these developments are on such a large scale that they would effectively create entire new communities. Because of that scale and the public financial support, the implementation of these developments will have far-reaching impact, not only for their immediate surroundings, but throughout the city.

Concerned with what they perceived as a rushed process with limited public input, residents, business owners and other stakeholders organized an effort to slow the process down to allow for further review and discussion. One specific request was for a Racial Equity Impact Assessment (REIA) to be conducted to better understand how the benefits and burdens of the mega-TIFs will influence the existing racial inequities in Chicago. The TIF Equity Coalition garnered 1,500 signatures in a matter of days on a petition calling for a REIA of the mega-TIFs at Lincoln Yards and the 78.

REIA overview

A Racial Equity Impact Assessment (REIA) is a tool for evaluating a proposal's potential benefits and burdens before decision-making. An REIA aims to advance racial equity, which Chicago United for Equity (CUE) defines as both a process and an outcome. As an outcome, racial equity is achieved when one's racial identity no longer determines one's life outcomes. Shifting life outcomes requires shifting decision-making power to those who are most impacted by current and historical inequities.

Using an REIA helps reveal unintended consequences of a proposal, who benefits and who is burdened via the proposal, and possible approaches to a public policy challenge without reiterating harm on the same groups that have historically been burdened. As policies are not color-blind, nor made in a vacuum, this process forces people to look at history, context, and lived experiences.¹

The MegaTIF REIA

Responding to a community invitation to lead this process, a team of CUE Fellows designed a process for an REIA of the city's use of TIF to support the Lincoln Yards and The 78 projects. REIA discussions grew beyond this narrow scope to include discussion of impacts that the two mega-developments might have that are not necessarily linked to TIF, and an assessment of how and where the City uses TIF, separate from these particular developments.

While the process was designed to be citywide and open to all Chicagoans, CUE focused on identifying and engaging communities most likely to be impacted:

- Residents, workers, and small business owners at risk of displacement from the areas close to Lincoln Yards and The 78.
- Communities most harmed by disinvestment and inequitable investment.
- Neighborhoods most impacted by pollution and planned industrial relocations.

Additionally, an Equity Committee composed of a representative group of impacted stakeholders was democratically elected to serve as a 'jury' and participate as a group throughout the public sessions.

¹ Learn more about REIAs at chicagounitedforequity.org/reia

Equity Committee

Representing communities adjacent to The 78

- Paola Aguirre, design artist and urban planner focusing on community-led design
- Jianan Shi, Executive Director of Raise Your Hand, former teacher
- Moises (Moy) Moreno, Co-Director of The Pilsen Alliance Representing communities near Lincoln Yards
- Robert Gomez, small business owner, Chicago Independent Venue League (CIVL)
- JL Gross, long-time resident and community leader from Lathrop Homes
- John McDermott, experienced organizer in housing and development

Representing neighborhoods impacted by under investment

- Robert Douglas, Sr., community organizer and lifelong resident in Roseland neighborhood
- Julio Rodriguez, Northwest Side Housing Center, Belmont-Cragin neighborhood
- Amalia NietoGomez, Alliance of the SouthEast, South Chicago and surrounding neighborhoods

Policy researchers

- Miriam Zuk, UC Berkeley, Urban Displacement Project and Center for Community Innovation
- Rachel Weber, University of Illinois at Chicago, Professor of Urban Planning and Policy

At-large seats

- Patricia Fron, Chicago Area Fair Housing Alliance
- Sean Connolly, small business owner who employs youth ages 16-24

This group was tasked with participating in the REIA discussions, reviewing data and testimony from community voices, and issuing recommendations pertaining to the following key questions:

- Who benefits and who is burdened by the Lincoln Yards and the 78 developments?
- How can the benefits and burdens created by Lincoln Yards and the 78 developments be most equitably distributed?

- How can we ensure future TIF decisions are centering racial equity in the decision-making process?

Over the course of summer 2019, the team conducted outreach to key stakeholder groups, led several initial trainings to prepare community members to participate in the REIA, and recruited a team of documenters and facilitators to lead a series of public sessions that followed the four basic steps of an REIA.

Timeline

Two public sessions were held focused on Lincoln Yards and three on The 78. A final session combined participants from each development site into one joint workshop. At each session, key information was presented and participants worked in small groups to address the questions included in the REIA process. The small groups were each supported by a facilitator and documenter, with training and support for the documentation process provided by City Bureau.



The output from these conversations, including recommendations for how the City of Chicago should proceed with Lincoln Yards and The 78, as well as potential steps that can be taken to improve the city's overall approach to supporting and guiding community investment and development, was synthesized into the findings below.

SUMMARY OF REIA RESULTS

SUMMARY OF REIA RESULTS

What is the proposal and what is it trying to solve?

The REIA examined the effects of two megadevelopments, Lincoln Yards and The 78, approved by the City, the City's decision to subsidize these developments through TIF, and the City's use of TIF generally.

TIF overview

Tax-increment financing (TIF) is a way for the City to use tomorrow's tax dollars to pay for development today. Cities use this tool to leverage investment in a particular geographic area (a TIF District), by targeting new property tax revenue from development, or increased property values, for use within the district. By designating a TIF district, the city is able to capture future property tax revenues over the baseline and reinvest them in the area in projects that are meant to increase the overall property value, and therefore tax contribution, of the area. TIF is meant to be a tool for jumpstarting development in neighborhoods where it wouldn't be likely to happen without this type of financial incentive, and where the government would not have to pay for the infrastructure or improvements out of pocket up front nor incur expensive financing charges by borrowing money.²

What is TIF used for?

TIF is most often used to finance infrastructure repair and construction projects, like road construction or water main replacement. As is the case with Lincoln Yards and The 78, TIF-financed infrastructure improvements are often one component of a broader development effort. TIF is used to spur economic development in other cases, from small investments in individual business owners through the city's Small Business Improvement Fund to larger-scale projects like the development of the Marshfield Plaza shopping center to attract national retailers like Target to parts of the city where they were not otherwise locating stores.³ Chicago has also allocated TIF funds to affordable housing developments, such as the mixed-use building anchoring the corner of Division and California Streets in Humboldt Park.⁴ Chart 1 shows how Chicago has used \$4.8 billion in TIF funds since 2011.⁵

Designating a TIF District

A request to designate a TIF District may come from a number of places. The city will study the eligibility of an area, per the state law that sets forth the requirements for a TIF district designation,⁶ and then put together a Redevelopment Plan. The Redevelopment Plan does not make specific commitments, rather it contains the general goals and allowable uses for the TIF district and the upper limit of TIF dollars that can be used in the district. Once approved by City Council, this Plan becomes the governing document for a TIF District.

Redevelopment Agreements

Once a TIF District has been created, the city will commit TIF funds to entities carrying out the work outlined in the Redevelopment Plan. The city enters into Redevelopment Agreements (RDAs), which are contracts with developers or other entities that specify the exact activities that will be paid for out of the TIF, consistent with the broader goals and expenditure categories laid out in the Redevelopment Plan.

² For more information about how TIF districts are formed, how they generate revenue, and how cities can use TIF dollars, see the TIF chapter of Chicago Land Use: A Guide for Communities, by the Chicago Lawyers' Committee for Civil Rights.

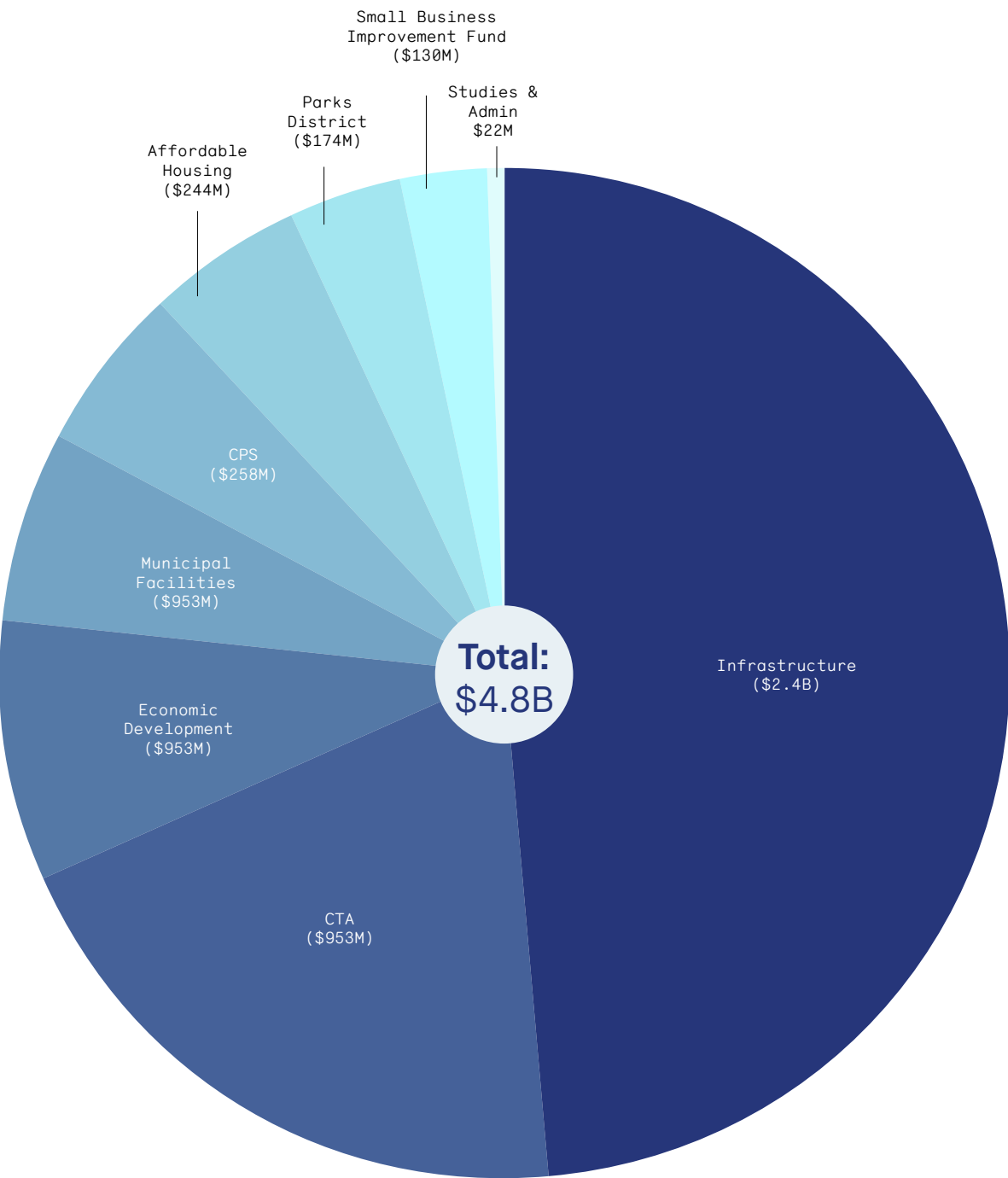
³ Lauren Zumbach, "Target says South Side stores will close, despite city's push to reconsider," Chicago Tribune, Nov. 8, 2018, <https://www.chicagotribune.com/business/ct-biz-target-south-side-store-closures-1108-story.html>.

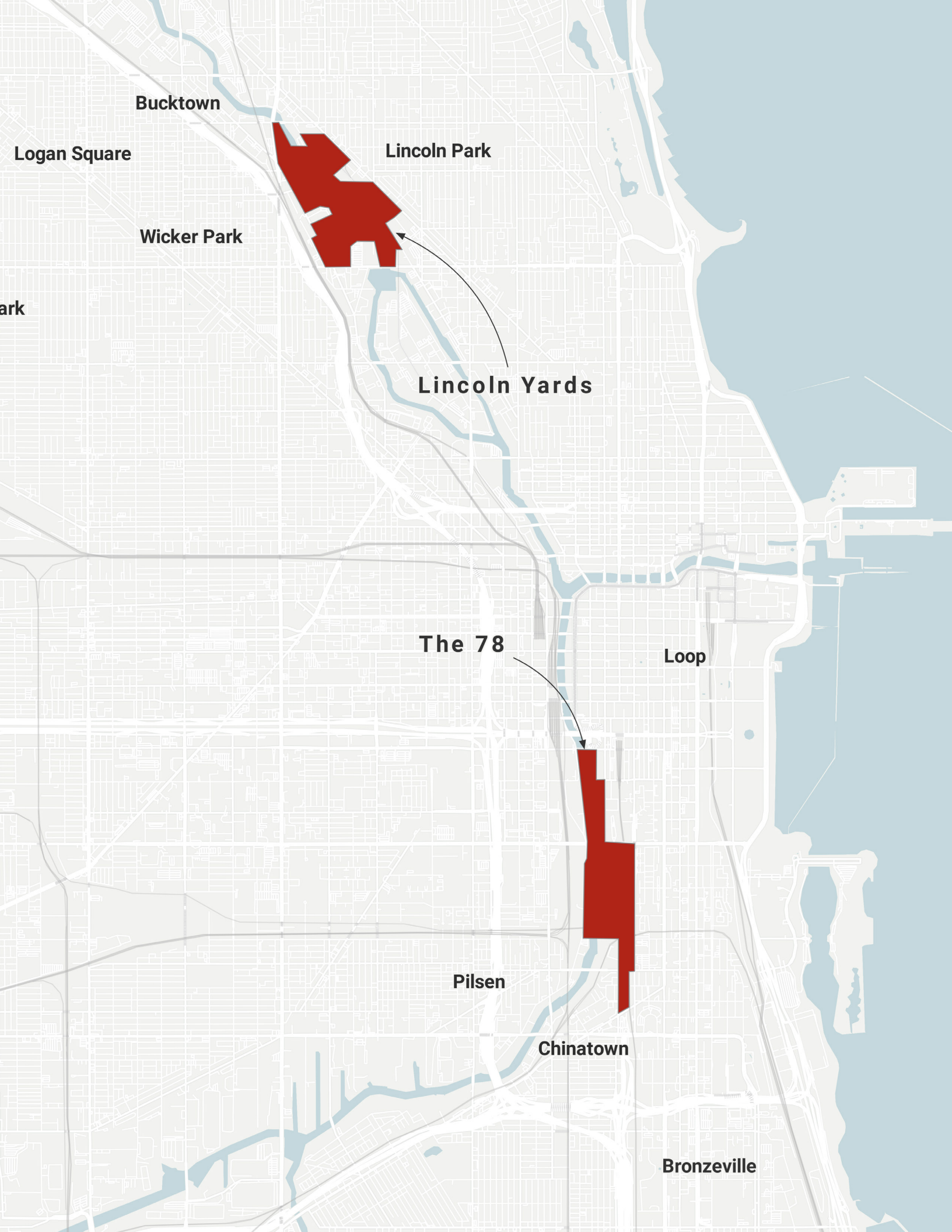
⁴ Jeanette Almada, "Affordable flats, commercial space to rise," Chicago Tribune, Jan. 23, 2005, <https://www.chicagotribune.com/news/ct-xpm-2005-01-23-0501230474-story.html>.

⁵ Chicago, 2020 TIF Program Guide, https://www.chicago.gov/content/dam/city/depts/dcd/tif/2020_TIF_Program_Guide.6.1.pdf. To learn more about specific TIF districts in Chicago and how funds are being used, see Chicago's specific TIF districts and how funds are being used, see <https://webapps1.chicago.gov/ChicagoTIF/>.

⁶ 65 ILCS 5/11-74.4, <https://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=006500050HArt%2E+11+Div%2E+74&ActID=802&ChapterID=14&SeqStart=213100000&SeqEnd=215400000>

Chart 1 — TIF programming, 2011-2019





Bucktown

Logan Square

Wicker Park

Lincoln Park

Lincoln Yards

The 78

Loop

Pilsen

Chinatown

Bronzeville

Developers or other contractors typically pay the costs associated with doing the work upfront and are reimbursed by the City up to the amount outlined in the RDA after completing each project or phase. With these two TIFs, repayment will come in the form of TIF notes, which are commitments to pay the note holder up to the budgeted amount. The developers can cash in these notes, or they can sell them to investors or lenders to raise funds for future work.

These notes are typically backed by future property taxes from the TIF district, but the city can raise funds in other ways in order to make payments on a note. For example, the RDAs for both TIFs say the City might pay for project costs with revenues from a "special service area" (SSA) tax, which is essentially an additional property tax on a particular area, often to pay for amenities or services beyond what the City typically provides. This method could allow the City to guarantee repayment of TIF notes issued for early project phases, when property taxes may not have risen enough to cover the project costs, thus making it more likely that the developer holding the note could sell it to investors to raise capital.

Lincoln Yards and the Cortland/Chicago River TIF District

Lincoln Yards is a \$6 billion project planned by developer Sterling Bay for 53 acres of recently-vacated land within the North Branch Industrial Corridor. The development will transform a formerly industrial area between two of the city's most affluent neighborhoods into a dense mixed-use neighborhood.⁷ Once completed, the first phase will consist of up to 1.32 million square feet of offices, 108,000 square feet of retail and 1,400 parking spaces between Dominick Street and the Chicago River south of Webster Avenue.

In February 2019, City Council created the Cortland/Chicago River TIF District, covering the area where Sterling Bay planned to develop Lincoln Yards. This new TIF overlays portions of two existing TIFs, the "North Branch North" and "North Branch South" districts, both of which began amassing revenue in 1998. When the new district expires in 23 years, parts of the district will actually mark 45 years generating TIF dollars.

In March 2019, City Council approved the zoning for the project in the form of two adjacent Planned Developments (PDs). Taken together, the PDs allow up to 14 million square feet of new commercial and residential construction, including up to 6,000 residential units, acres of privately owned open space, new streets, bridges, and other infrastructure improvements. While the TIF RDA outlines the specific projects for which Sterling Bay will receive reimbursement from the city, the Planned Developments contain the developers' commitments to the city, such as their obligations to create affordable housing units.

"IT'S A NEW
NEIGHBORHOOD
BUILT BY A
CORPORATION.
THAT'S SCARY."

REIA participant at the first
Lincoln Yards workshop

⁷ For the data cited here and further details on Lincoln Yards, see

- Chicago Department of Planning and Development's Lincoln Yards page
- Cortland/Chicago River TIF District Redevelopment Plan (RDP), which established the TIF District and set the maximum TIF subsidy.
- Lincoln Yards Redevelopment Agreement (RDA), the city's contract with Sterling Bay and its subsidiaries to complete projects aligned with the RDP.
- The Planned Developments, PD1438 and PD1439, which are the city-approved plans for Lincoln Yards, including zoning changes, affordable housing commitments, etc.

As shown in Chart 2, the Redevelopment Plan for the TIF District commits up to \$1.3 billion in city funds. About half of that amount has been committed through the Lincoln Yards RDA to roadway extensions and improvements. The Council approved a Redevelopment Agreement with Sterling Bay and its subsidiaries in April for about \$500 million in infrastructure work that Sterling Bay will be reimbursed for through TIF.

Chart 3 shows the specific projects the city has committed to funding through the RDA. Of the nearly \$500 million in TIF funds, almost half is funding the construction of three new bridges across the Chicago River between North and Armitage Avenues as shown on the map below.

Because Lincoln Yards is receiving financial assistance from the city, the development is subject to the city's Affordable Requirements Ordinance (ARO).⁸ Per the Planned Developments, Sterling Bay is required to maintain 20% of any housing units as affordable, which means rents will be affordable to households earning about half of the average income in the region, around \$800-1,000 for a one-bedroom and \$1,000-1,200 for a two-bedroom.⁹ Half of these affordable housing units must be on-site. Up to a quarter of the required affordable housing units may be covered by payment of a fee in-lieu of actual units. The remaining obligation may be satisfied in any manner, provided that off-site rental units are within three miles and in low- or moderate-income (LMI) neighborhoods.

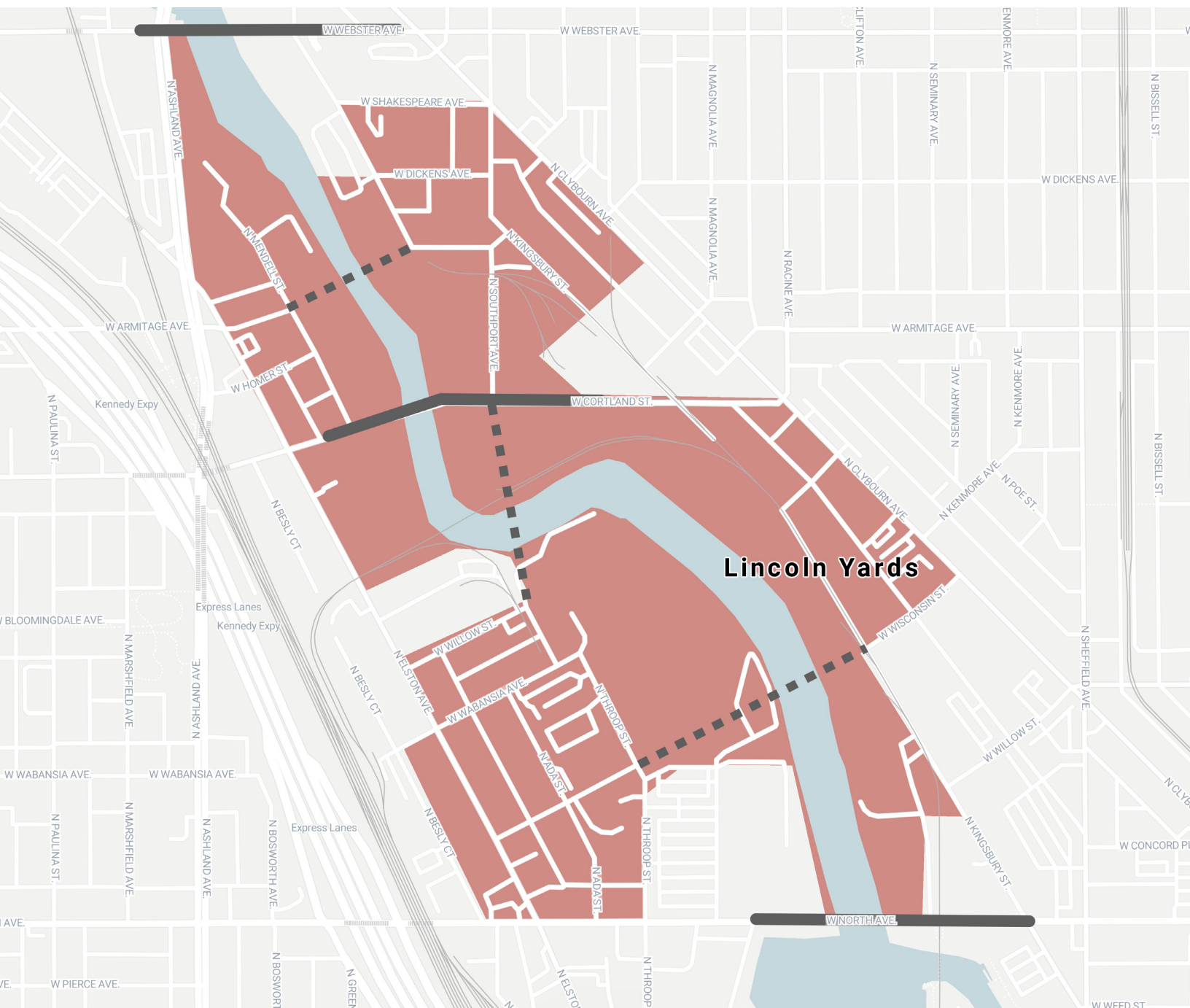


Chart 2 — Cortland/Chicago River TIF Redevelopment Plan Costs

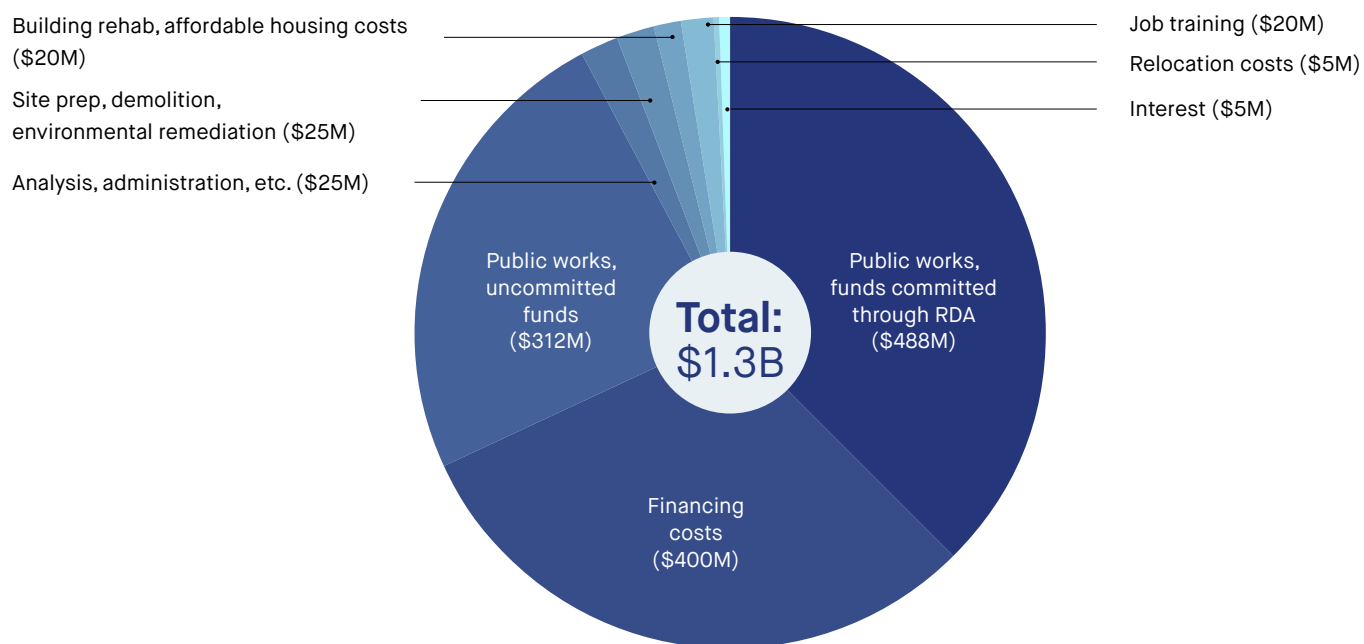


Chart 3 — Lincoln Yards RDA Project Costs and Timeline

Infrastructure Component	TIF Eligible Cost	Project Start	Projected Completion
Armitage Avenue Extension & Bridge	\$ 76,475,000	2020	2024
Dominick Street Extension and Bridge	\$ 107,870,000	2020	2022
Sea Wall Improvements	\$ 45,885,000	2020	2022
Dominick Street Final Condition	\$ 7,245,000	2021	2021
Kingsbury Street Improvements	\$ 21,735,000	2021	2023
Southport Avenue Improvements	\$ 3,200,000	2021	2021
Concord Place Extension & Bridge	\$ 53,935,000	2022	2024
Cortland Street Improvements	\$ 12,075,000	2022	2022
Elston Avenue Realignment & Viaduct	\$ 85,330,000	2022	2025
Wabansia Ave & Willow Street Improvements	\$ 15,295,000	2022	2022
606 Trail Pedestrian/Bike Trail & Landscape	\$ 34,615,000	2022	2023
Armitage Avenue Viaduct	\$ 24,150,000	2024	2024
Total	\$487,810,000		

⁸ Chicago, Affordable Requirements Ordinance, <https://www.chicago.gov/city/en/depts/doh/provdrs/developers/svcs/aro.html>; 2020 Affordable Monthly Rents, https://www.chicago.gov/content/dam/city/depts/doh/general/2020_Income_and_Rent_Limits.pdf

⁹ PD1439 - Lincoln Yards North, ; PD1438 - Lincoln Yards South, ...

¹⁰ According to information provided by the developer and posted on the City's website: "To date, 25,000 tons of contaminated soil has been removed, 200 cubic yards of lead soil has been treated, and 30 underground storage tanks have been removed."

The 78 and the Roosevelt/Clark TIF District

The 78 is a \$7 billion mixed-use project planned by developer Related Midwest for 62 acres of former railroad property along the South Branch of the Chicago River between the South Loop and Chinatown. The project will include up to 13 million square feet of new commercial, residential and institutional construction, 12 acres of open space, and up to 10,000 residential units.¹¹ The city's use of TIF to spur development on this site is justified in part by how long this parcel has been vacant.¹²

City Council approved zoning for the site through a Planned Development passed in December 2018. It created the Roosevelt/Clark TIF District, with a maximum TIF expenditure of \$1.1 billion, and entered into a Redevelopment Agreement with Related in the spring of 2019. According to the RDA, shown in Chart 5, \$551 million in future increment from the Roosevelt/Clark TIF District will reimburse Related Midwest for the construction of new public infrastructure, the bulk of which will be for a new CTA Red Line subway station at 15th and Clark. This proposed station is shown in the map below, along with other transit stops within a half-mile radius.

Like Lincoln Yards, The 78 is subject to the Affordable Requirements Ordinance. The development must maintain 20% of any housing units as affordable, with at least a quarter of these located on site. Up to a quarter of the required affordable housing units may be covered by payment of a fee in-lieu of actual units. The remaining obligation may be satisfied in any manner, provided that off-site rental units are within the Pilsen/Little Village ARO Pilot area.

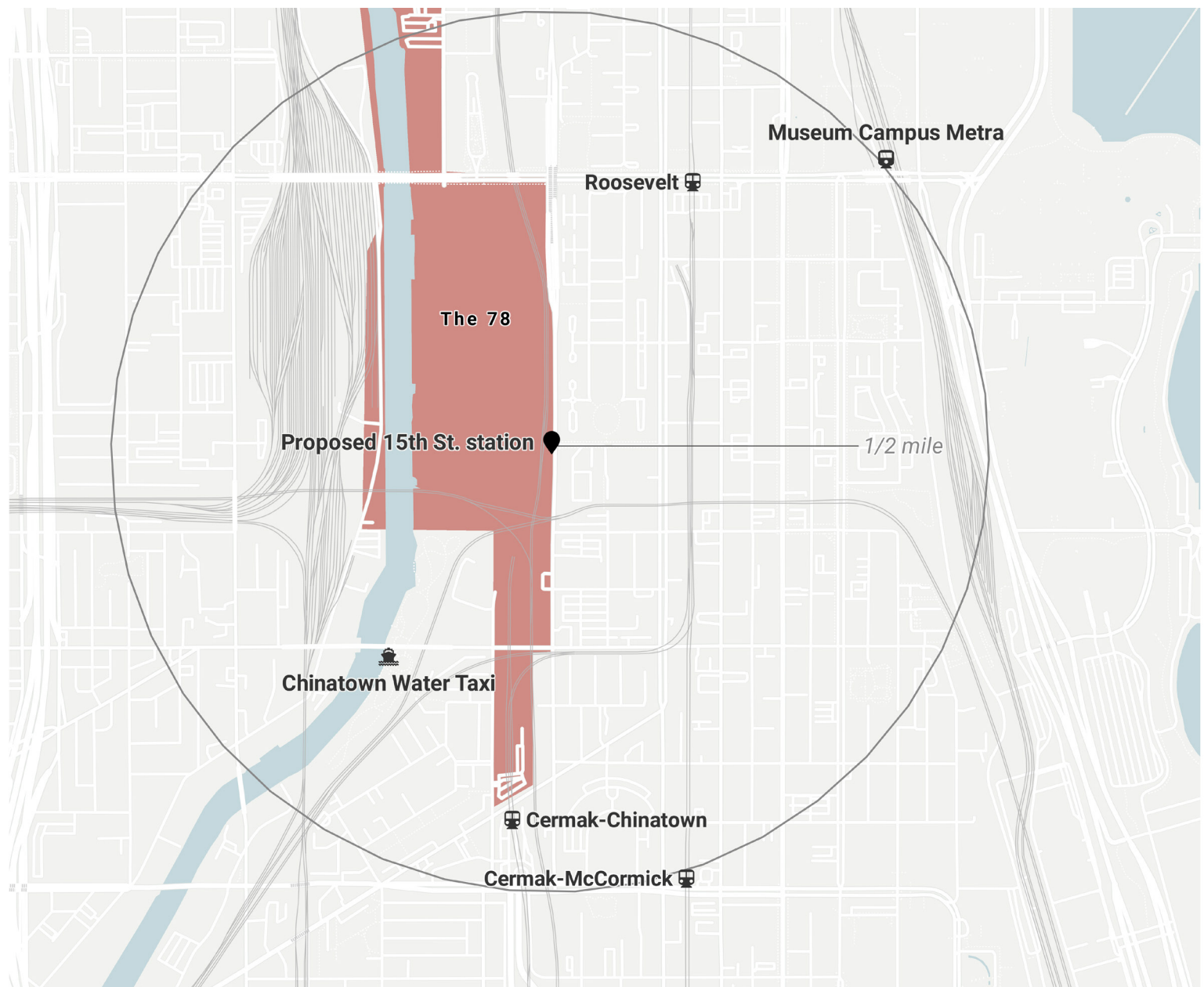


Chart 4 — Roosevelt/Clark TIF Redevelopment Plan Costs

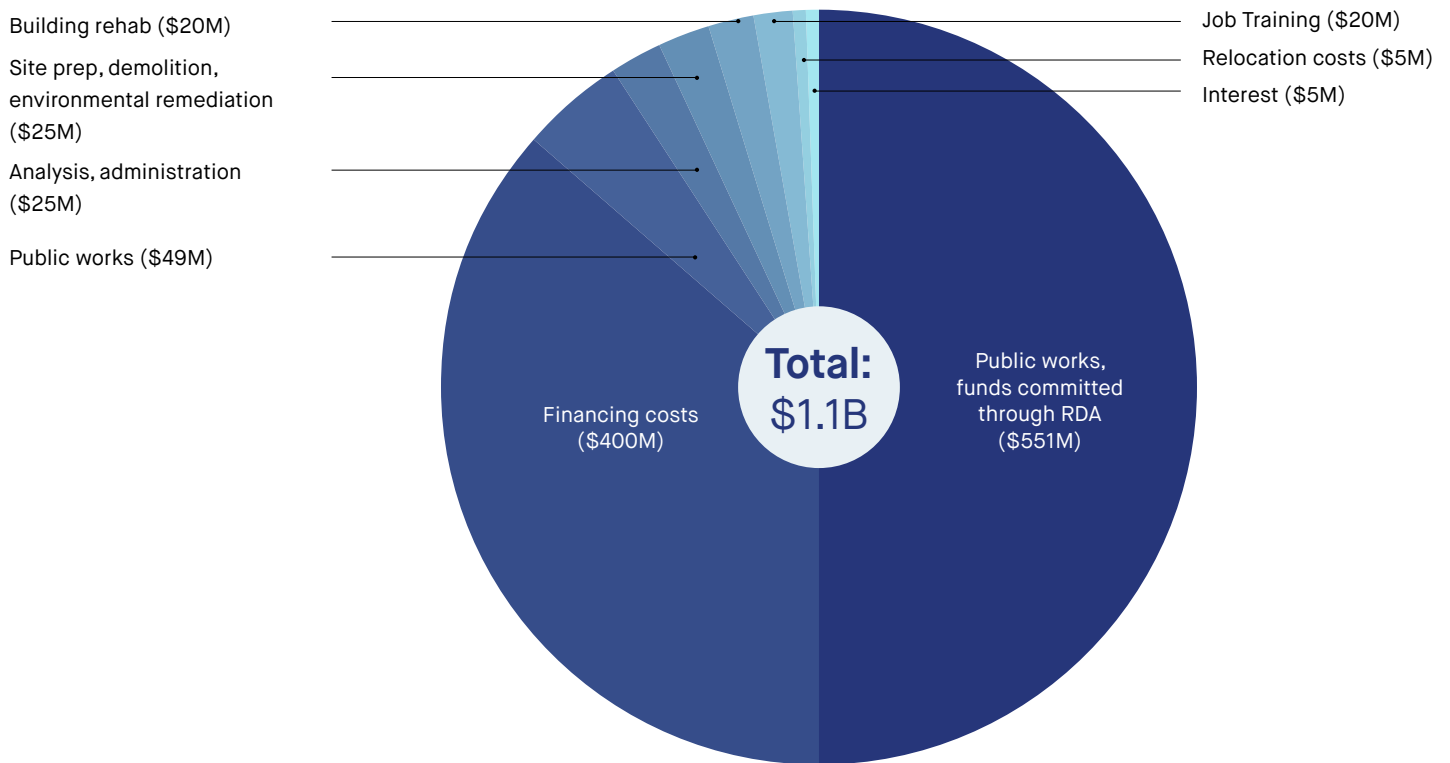


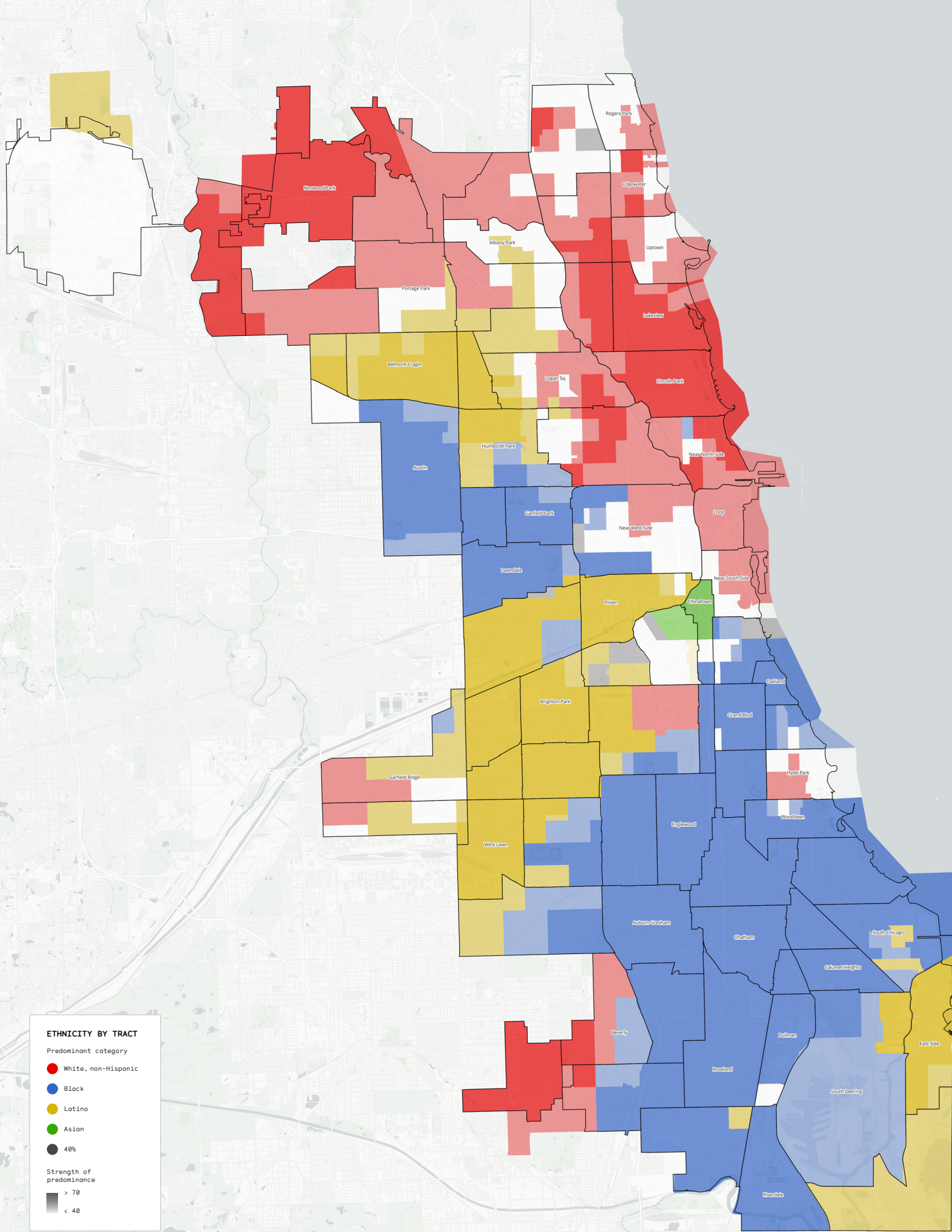
Chart 5 — The 78 RDA Project Costs and Timeline

Infrastructure Component	TIF Eligible Cost	Projected Start	Projected Completion
Metra Realignment	\$ 84,516,850	2020	2023
Sea Wall Improvements	\$ 10,117,594	2020	2022
Clark Street Improvements	\$ 79,007,499	2021	2024
15th Street Construction	\$ 12,955,997	2021	2023
CTA Red Line Station	\$ 364,649,999	2024	2028
Total	\$ 551,247,939		

¹³ The 78 Chicago Plan Commission presentation and amendment regarding PD1434 - The 78.

¹⁴ For the data cited here and further details on The 78, see

- Chicago Department of Planning and Development's The 78 page, https://www.chicago.gov/city/en/depts/dcd/supp_info/the-78.html.
- The Roosevelt/Clark TIF District Redevelopment Plan (RDP), which established the TIF district and set the maximum TIF subsidy, https://www.chicago.gov/content/dam/city/depts/dcd/tif/plans/T_184_RooseveltClarkRDP.pdf
- The 78 Redevelopment Agreement, the contract with Related Midwest to build infrastructure in line with the RDP, https://www.chicago.gov/city/en/depts/dcd/supp_info/tif/roosevelt-clark-tif.html.
- The Planned Development, PD1434, which is the city-approved plans for The 78, including zoning changes, affordable housing commitments, etc., https://gisapps.chicago.gov/gisimages/zoning_pds/PD1434.pdf.



ETHNICITY BY TRACT

Predominant category

White, non-Hispanic

Black

Latino

Asian

40%

Strength of predominance

> 70

< 40

SUMMARY OF REIA RESULTS

Who's impacted?

The REIA was structured around the communities most likely to face direct impacts from the projects. No one lives on either project site currently, so outreach for this REIA started with the neighborhoods adjacent to both TIF Districts. The focus was on communities in the areas closest to Lincoln Yards and The 78 who were at risk of displacement, who had been harmed by planning and development projects in the past, and who were otherwise marginalized in the process of shaping the future of these project sites.

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TO BE A NEIGHBOR."

REIA participant at the first
Lincoln Yards workshop

The 78's Neighbors

The 78 is being marketed as a brand new neighborhood, literally adding one to the existing 77 defined community areas in the city, but it is located firmly in the Near South Side Community Area.¹⁴ This community area represents the southern limits of Chicago's gentrified city core, as shown in the UIC Voorhees Center's analysis of community change from 1970 to 2010.¹⁵ During that period, the Near South Side grew more affluent - the inflation-adjusted median income in the area grew from \$11,000 to \$112,000 - and went from 5% to 50% white. In terms of its target demographics, REIA participants tended to view The 78 as an extension of the Near South Side, particularly its South Loop neighborhood, immediately to the project site's east, extending roughly from Ida B. Wells Drive to Cermak Road, from the Chicago River to Lake Michigan.

Immediately to its south and west are majority-Latinx Pilsen and majority-Asian Chinatown, which are among the neighborhoods most vulnerable to displacement in the city, according to DePaul Institute for Housing Studies' Mapping Displacement project.¹⁶ Along with nearby majority-Black Bronzeville, which is also facing rising housing costs, the neighborhoods surrounding The 78 are important cultural hubs where the displacement of businesses and non-profits serving particular groups is also a major concern.¹⁷

“THE CITY SHOULD NOT MAKE
DECISIONS IN PANIC OR DESPERATE
MODE. LONG-TERM DECISIONS SHOULD
NOT BE MADE WITHOUT PROPER
UNDERSTANDING OF [HISTORY].”

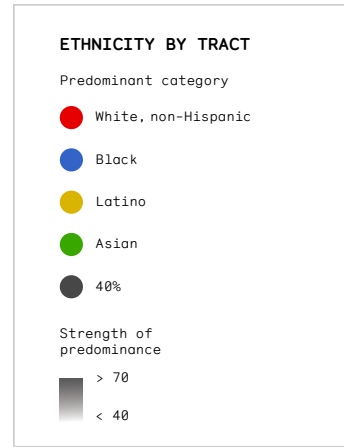
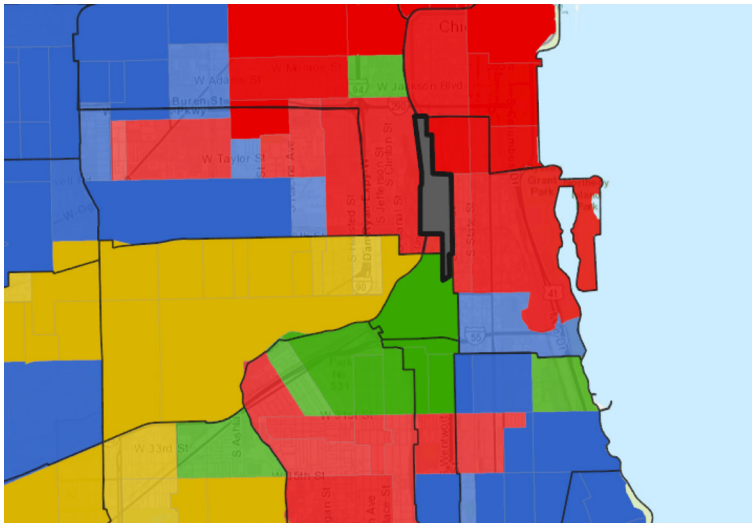
Participant at the final session

¹⁴ <https://www.78chicago.com/>

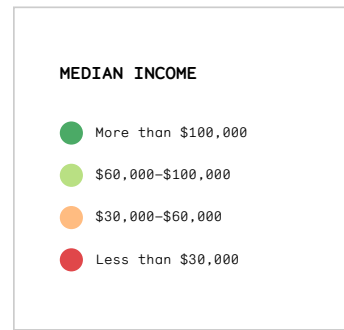
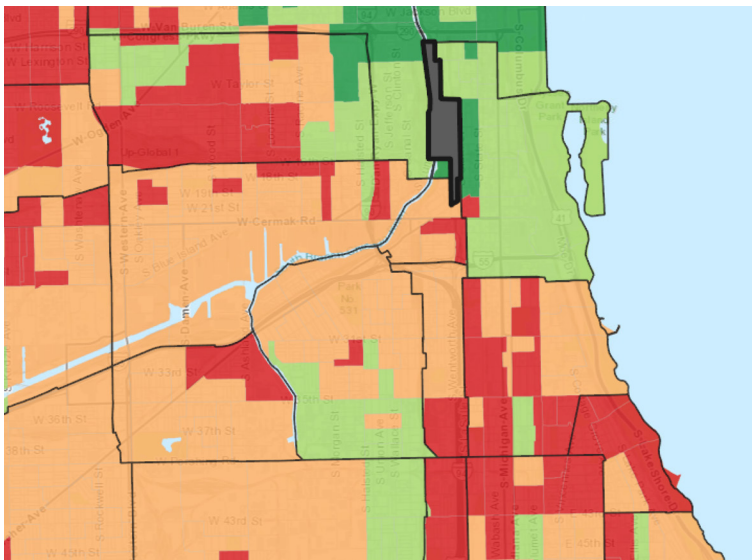
¹⁵ Nathalie P. Voorhees Center, UIC, The Socioeconomic Change of Chicago's Community Areas (1970-2010), <https://voorheescenter.red.uic.edu/wp-content/uploads/sites/122/2017/10/Appendix-Oct-14.pdf>

¹⁶ Institute for Housing Studies, DePaul University, Mapping Displacement Pressure in Chicago, 2019, <https://www.housingstudies.org/releases/mapping-displacement-pressure-chicago-2019/>.

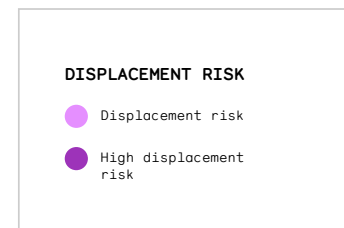
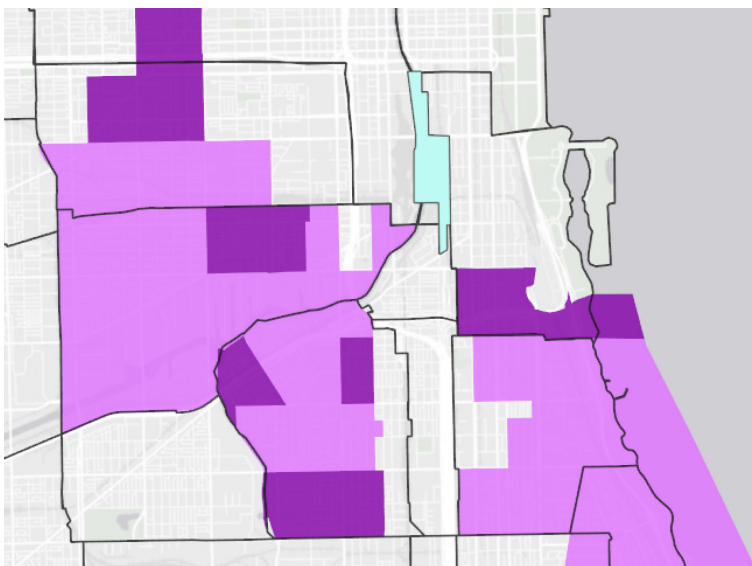
¹⁷ E.g., Danny Ecker, The battle for Chinatown's future, Crain's Chicago, May 10, 2019, <https://www.chicagobusiness.com/commercial-real-estate/battle-chinatowns-future>.



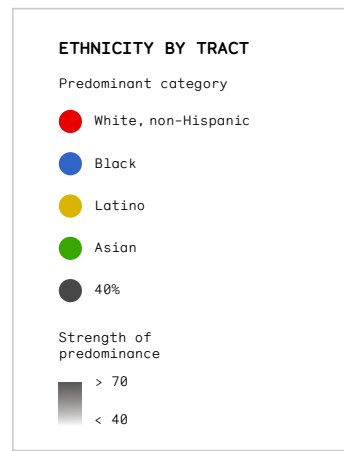
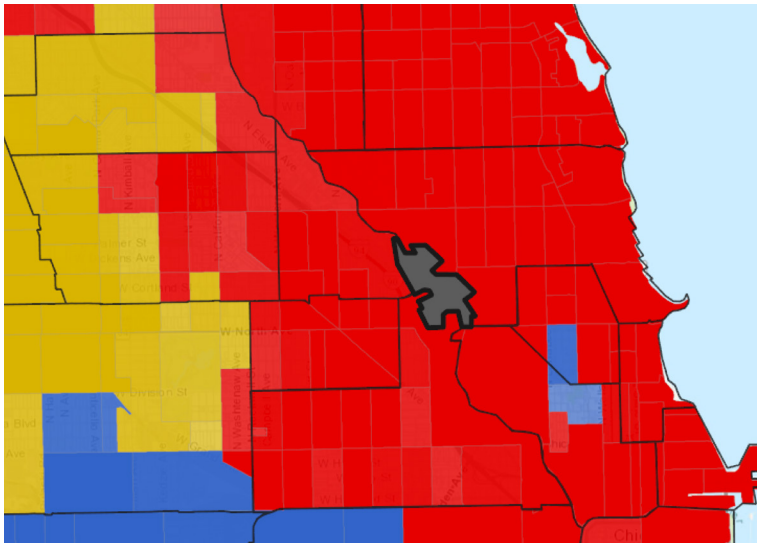
MAP 2A – RACE & ETHNICITY AROUND THE 78



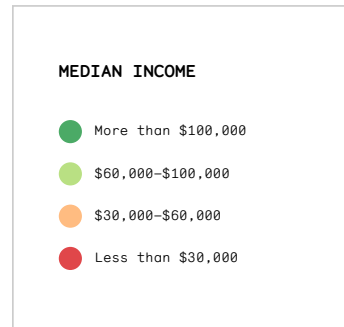
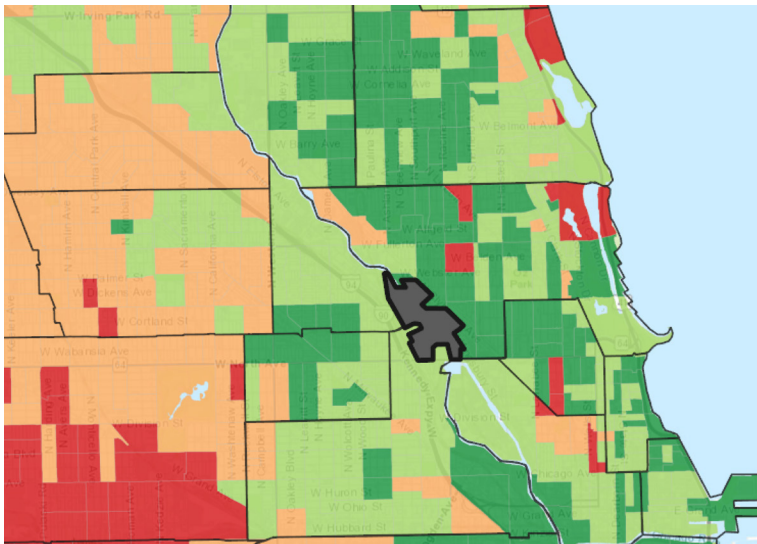
MAP 2B – INCOME AROUND THE 78



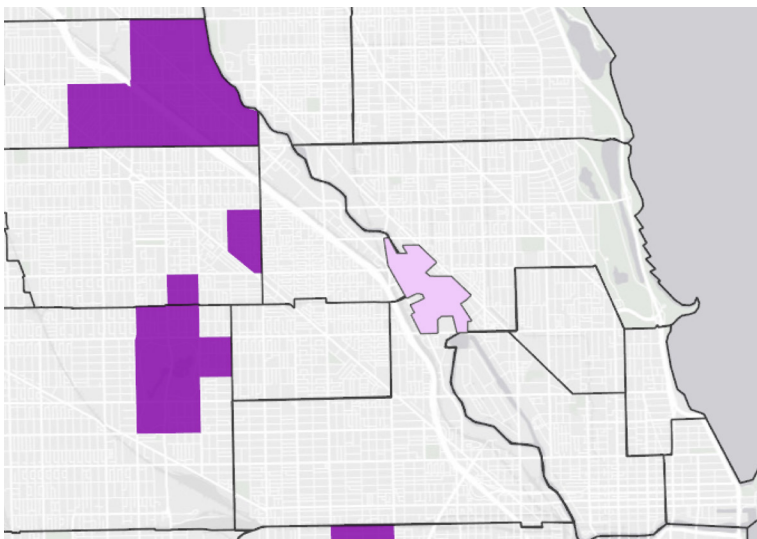
MAP 2C – DISPLACEMENT RISK AROUND THE 78



MAP 2D – RACE & ETHNICITY AROUND LINCOLN YARDS



MAP 2E – INCOME AROUND LINCOLN YARDS



MAP 2F – DISPLACEMENT RISK AROUND LINCOLN YARDS

Lincoln Yards' neighbors

The area immediately around Lincoln Yards is nearly 80 percent white and home to some of the most affluent neighborhoods in Chicago: Bucktown, Wicker Park, and Lincoln Park. The map below shows average home values and incomes in the neighborhoods adjacent to Lincoln Yards.

One outlier in the immediate vicinity is the Lathrop Homes community, a rare pocket of publicly-subsidized housing in the area. Residents were largely left out of a redevelopment process that more than halved the number of affordable units and has left long-time residents increasingly alienated as the developer courts a more affluent, whiter demographic.¹⁸

Areas of Wicker Park and Bucktown to the west of the project site experienced rapid demographic changes between 2000 and 2016, seeing little to no net population growth but a rapid displacement and replacement of Black and Latinx residents with white residents.

Outside this one-mile circle are neighborhoods experiencing similar demographic shifts. Parts of Logan Square, Humboldt Park, and Avondale are among the areas most vulnerable to displacement in the city, according to DePaul's Mapping Displacement project, experiencing significantly rising housing prices on top of already higher-than-average housing costs. While not adjacent to the project site, REIA participants fear that the scale of Lincoln Yards and the creation of a new job hub designed to attract tech companies like Amazon may speed up the processes that are causing displacement near both developments already.¹⁹

REIA participants also viewed the 606 extension into Lincoln Park with some trepidation, concerned that the connection to Lincoln Park might make neighborhoods along the trail even more attractive to housing investors and developers, a dynamic that has already contributed to increasing housing cost burdens in neighborhoods along the western half of the trail.²⁰

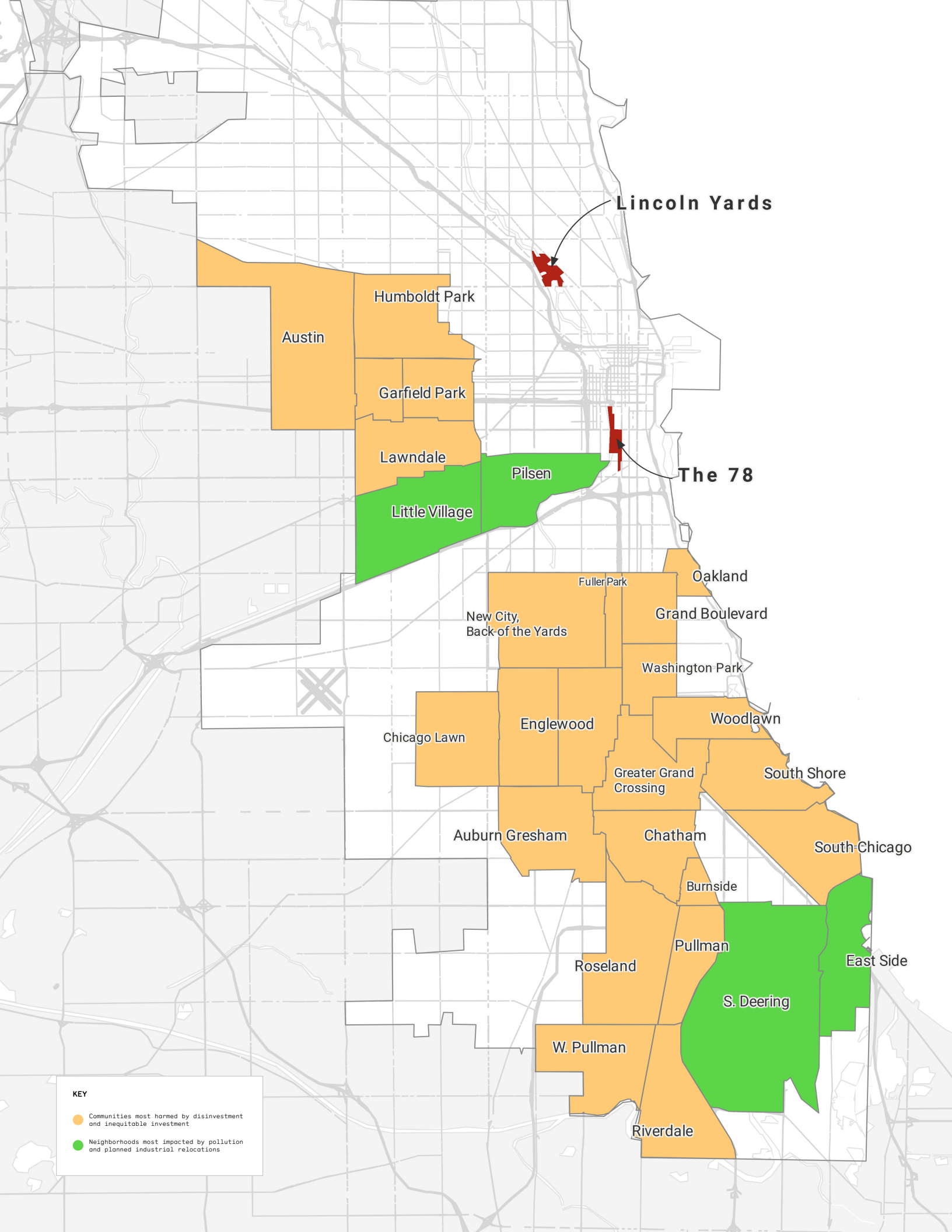
“THERE ARE ONLY 20 LATINOS LEFT. MY NEIGHBORS ARE MILLIONAIRES. THEY HAD TO LEARN TO RESPECT ME BECAUSE I HAD TO TEACH THEM.”

REIA participant at the first workshop focused on Lincoln Yards, held at Lathrop Homes.

¹⁸ E.g., Maya Dukmasova, Residents reflect on rehabbed Lathrop Homes, Chicago Reader, Sept. 18, 2019, <https://www.chicagoreader.com/chicago/resident-reflections-lathrop-homes-redevelopment/Content?oid=73330809>.

¹⁹ Lynda Lopez, Neighbors March Against Displacement in Logan Square, Streetsblog Chicago, Oct. 30, 2018, <https://chi.streetsblog.org/2018/10/30/neighbors-march-against-displacement-in-logan-square/>.

²⁰ Institute for Housing Studies, DePaul University, Displacement Pressure in Context: Examining Recent Housing Market Changes Near The 606 (2020), <https://www.housingstudies.org/releases/Displacement-Pressure-in-Context-606/>.



Communities most harmed by disinvestment and inequitable investment

TIF may have citywide impacts on the availability of resources and tax burdens, so this REIA included those communities most impacted by existing inequities in public investment and legacies of disinvestment, as defined by researchers at DePaul's Institute for Housing Studies.²¹ These Community Areas are highlighted in yellow on the map to the left. In addition to the measures of housing market distress captured by DePaul's research, these Community Areas have the city's highest levels of economic hardship, as measured by a metric developed by researchers at UIC that incorporates levels of unemployment, education, income, poverty, and housing challenges.²² Additionally, the UIC Voorhees Center's research on gentrification in Chicago neighborhoods shows that wealth and income levels in these community areas either declined or stayed relatively low over the past several decades.²³

These Community Areas are 95% non-white, and the concentrated disadvantage represented in these neighborhoods impacts Black Chicagoans the most: these Community Areas together have about one-third of the city's population, but nearly three-quarters of the city's Black residents. A complete list of the Community Areas, along with the data described above, can be found in the appendix.

Communities most harmed by pollution and industrial relocations

Lincoln Yards is being built on the site of what was the city's first Planned Manufacturing District. Several publicly and privately owned polluting facilities have moved or plan on moving from the Lincoln Yards project site to the city's Southeast side.²⁴ The predominantly Black and Latinx Southeast side community areas of South Deering and East Side appear on the above lists of areas facing the greatest legacies of disinvestment and the highest levels of persisting economic hardship in the city, and they also contain the neighborhoods most burdened by pollution in the city.

“DO WE REALLY NEED
TO FULLY UNDERSTAND
THE MECHANISMS OF
TIF TO MAKE CRITIQUES
OF THE CITY'S
INVESTMENT PRIORITIES?”

REIA participant at the second
Lincoln Yards workshop

²¹ Defined using DePaul's Institute for Housing Studies' eight distinct housing submarkets in the Chicago region. Communities with the greatest concentration of housing submarket #1 were prioritized because these are areas with legacies of disinvestment that continue to experience low levels of investment coupled with high levels of distress. Details at <https://www.regionalhousingolutions.org/submarkets.ement-in-logan-square/>.

²² Great Cities Institute, UIC, Economic hardship index shows stark inequality across Chicago, Sept. 19, 2016, <https://greatcities.uic.edu/2016/09/19/economic-hardship-index-shows-stark-inequality-across-chicago/>

²³ Voorhees Center, UIC, The Socioeconomic Change of Chicago's Community Areas: The Gentrification Index, <https://voorheescenter.uic.edu/wp-content/uploads/sites/122/2018/03/GI-One-Pager.pdf>

²⁴ E.g., Paris Schutz, "General Iron Deal Spurs Debate About Land Use, Air Quality," WTTW, Sept. 16, 2019, <https://news.wttw.com/2019/09/16/general-iron-deal-spurs-debate-about-land-use-air-quality>.

SUMMARY OF REIA RESULTS

What other issues can this proposal impact?

Chicago uses TIF more than any other major American city. Chicago has 136 active TIF districts, covering more than 1 in 4 properties, and TIF districts collected \$926 million last year, which is more than one-third of all property tax revenue generated in the city.²⁵ These two TIFs raised particular concerns in part because of their size – at over \$1 billion each over 23 years, they dwarf all other TIFs – and because these two TIFs don't seem to fit the goal of the state's TIF law, which is to revitalize blighted neighborhoods.²⁶ Also, these TIFs only debatably (if at all) satisfy the two foundational requirements under state law: that the redevelopment project area is blighted, according to factors laid out in state law, and that development in the area would not reasonably be anticipated without the public subsidy.²⁷

REIA participants connected these two TIFs, and the city's use of TIF generally, to impacts on education, transit, parks, the environment, and housing. A lot of these impacts stem from the premise that TIFs are capturing some of the value they're claimed to be generating, because development at that site would still generate a substantial increase in tax revenue without TIF. Other discussion was not specific to TIF, but rather offered critiques of large, private developments, and the City's process for approving such developments, pointing out that there are much less expensive ways for the city to aid market-driven developers like Sterling Bay and Related, if assistance is even necessary.

TIFs may capture tax revenue that would have been generated without TIF

REIA participants expressed concern that the way

Chicago uses TIF is not growing the city's economic pie, as it's intended to do. Instead, Chicago's TIFs sometimes capture tax value that would have been produced anyway. This means that funds that would have gone to public agencies to use citywide are instead kept in some of the city's most affluent neighborhoods.

TIF is supposed to work by targeting public investments to support revenue generating development that wouldn't have happened without the boost from public investment. But when TIF is used in places where property values would have increased anyway, then tax revenue that would otherwise have gone to the city and other public agencies is instead captured for investment within the specific TIF district.

TIF districts capturing, rather than creating, value is documented here in Chicago.²⁸ For example, a 2007 study by the Cook County Commissioner found that 40% of the increase in property tax value in TIF districts from 1997 to 2005 would have happened without the TIF, in other words "40 cents of every dollar of TIF revenue is money that taxing districts lose to TIF."²⁹ That study cites an earlier one which found that nearly 80% of the increase in property tax value across 36 TIF districts was captured, not created, by the TIFs.³⁰

REIA participants generally viewed the Lincoln Yards and The 78 TIFs as the type that might capture a significant portion of tax increment that would have been realized anyway. Both sites are in highly-desirable locations -- Lincoln Yards is in an area that Sterling Bay and the city called the "best capitalized site in Chicago with the strongest financial support and real estate," for example.³¹ There have been unique impediments to this sort of development at both sites that didn't

²⁵ Cook County Clerk, 2019 TIF Revenue Report - Executive Summary, https://www.cookcountyclerk.com/sites/default/files/pdfs/2019%20TIF%20Release%20Executive%20Summary_0.pdf.

²⁶ The TIF District generating the most revenue has brought in around \$370 million over 21 years, according to this 2019 analysis from the Cook County Clerk, <https://www.cookcountyclerk.com/news/cook-county-tifs-bring-nearly-12-billion-chicago-tif-revenue-more-27>.

²⁷ Hal Dardick, "The race to beat the clock on Lincoln Yards: How a delay could have stopped the megadevelopment from getting \$1.3 billion in taxpayer money," Chicago Tribune, Aug. 26, 2019, <https://www.chicagotribune.com/investigations/ct-lincoln-yards-tif-blight-question-20190826-3tjv44l-joradbf22yynzicjle-story.html>.

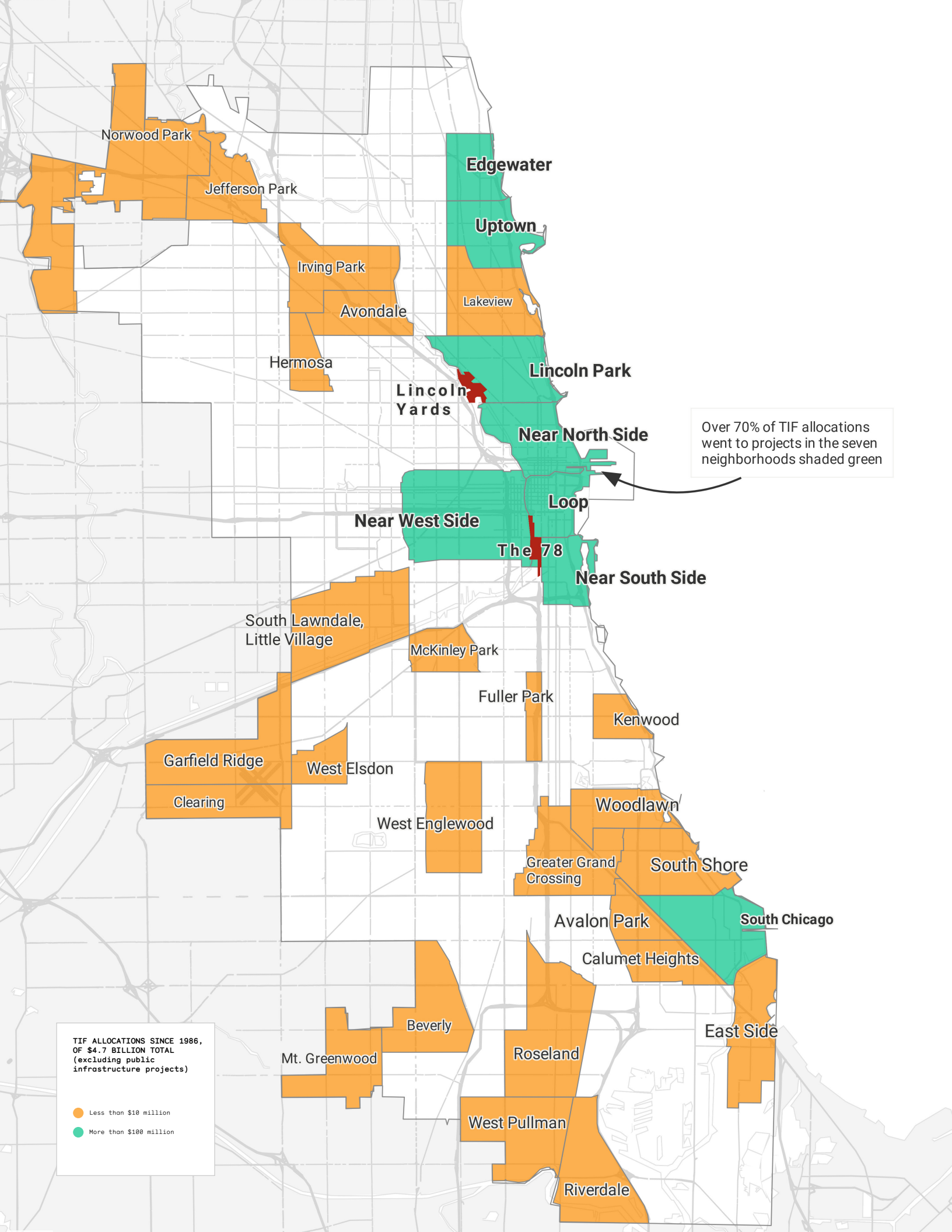
²⁸ See, e.g., UIC Professor David Merriman's discussion of his work finding that, in certain circumstances TIF tends to move resources and development around the city rather than spurring development that otherwise would not have occurred. Tanvi Misra, "The Trouble With TIF," Bloomberg News, Sept. 12, 2018, <https://www.bloomberg.com/news/articles/2018-09-12/does-tax-increment-financing-really-work-usually-no>. See also, Amanda Kass & Daniel Kay Hertz, "Are TIFs Taking Money Away from the City?" (2018), <https://amandakass.blog/2018/09/20/are-tifs-taking-money-away-from-the-city/>.

²⁹ Mike Quigley, A Tale of Two Cities: Reinventing Tax Increment Financing (2007), https://quigley.house.gov/sites/quigley.house.gov/files/migrated/images/user_images/igt/stories/reinventingTaxIncrementFinancing.pdf.

³⁰ Neighborhood Capital Budget Group, "Who Pays for the Only Game in Town?," 2002.

³¹ Alexandra Silets, "The Legal Battle Over Lincoln Yards \$1.3B TIF District," WTTW, Sept. 4, 2019, <https://news.wttw.com/2019/09/04/legal-battle-over-lincoln-yards-13b-tif-district>.

³² Ryan Smith, "The Last Days of Rezko's Purgatory," Belt Magazine, March 29, 2019, <https://beltmag.com/chicago-rezko-development-78-related/>.



need TIF to solve: Lincoln Yards is located on a planned manufacturing district, where city zoning protecting such uses has kept residential and office towers at bay, and The 78 parcel has a sordid past tied to political corruption.³²

Availability of public resources to meet needs in Black and Brown neighborhoods

REIA participants discussed a couple effects of this sort of TIF capture. Property taxes may be raised outside the TIF district, in order to essentially make up for the captured value. In 2005, for example, it was estimated that Chicago's taxpayers paid four percent more in property taxes than they would have paid without TIF. The 2011 TIF Reform Panel's Report to Mayor Emanuel also concluded that Chicago's TIF system simultaneously "increases the individual tax burden on property owners both inside and outside of TIF districts" and causes the City to "collect a lesser amount for the benefit of its general corporate fund." As discussed in the next section, increased property tax burdens citywide can magnify existing inequities in the County's property tax system.

TIF capture of property tax revenue could also affect city and public agency budgets that pay for a wide range of services. REIA participants expressed concern about neighborhoods not receiving resources to meet their economic development, mobility, education, and

green space needs. Specifically, community members shared that they felt the use of TIF in relatively affluent parts of the city would rob other neighborhoods of citywide tax revenue that would have been created without the TIF.

Perpetuate racial inequities through over-investment in white communities

REIA participants generally characterized Chicago's TIF program as inequitable overall, because TIF is deployed in white neighborhoods and not used to spur development in Black and Brown neighborhoods, as shown on the maps below. According to one analysis, white wards receive twice as many TIF dollars as Black and Latinx wards.³⁵ Such disparities in TIF-subsidized infrastructure and economic development between white and non-white neighborhoods are especially an issue because of the scale of the city's TIF program.³⁶

The use of TIF to support the Lincoln Yards and The 78 developments was seen as a continuation of that historical pattern, concentrating transit improvements and capital investments in affluent, majority white communities. For example, the city has committed around \$250 million in public resources to fund the construction of three new bridges across the Chicago River between North and Armitage Avenues. That is the same amount that the Mayor has committed to investing in "transformative change" in ten neighborhoods through the Invest South/West development initiative this year.

REIA participants also pointed out that some of the TIF investments that will cost the City hundreds of millions of dollars do not seem critical to the viability of either development. The bridges referenced above or the new CTA Red Line station outside The 78 were two specific examples of infrastructure investments that appeared to REIA participants as amenities for the developments but not necessary to make the developments happen.

Because the city is using TIF in areas where property values were already rising, or, in the case of Lincoln Yards, where other policy interventions, like rezoning,

**"THE CITY SHOULD
NOT GIVE AWAY
CHICAGO'S ASSETS."**

REIA participant at
the third session

³² Jared Knight, Is Tax Increment Financing Racist? Chicago's Racially Disparate TIF Spending, 101 Iowa L. Rev., <https://ilr.law.uiowa.edu/assets/Uploads/N3-Knight.pdf>

³⁵ https://www.chicago.gov/city/en/sites/invest_sw/home.html

³⁶ For more context, see Ava Bell, et al., Equitable Development, DePaul University Steans Center, in collaboration with Alliance of the Southeast (Nov. 2019), available at https://drive.google.com/file/d/0B-Ts_OUMj1g5Q09KShjZE16dFdsRdySmVPRUQY1BKZHg4/view?usp=sharing

could have unlocked development potential without TIF, REIA participants generally viewed these two TIFs as having a regressive impact, deepening inequities between neighborhoods along racial lines by pouring public resources into developments that could have happened without this scale of public investment, in neighborhoods that have the lowest need for public investments of this kind.

REIA participants discussed specific areas, such as South Works, which meet the purposes of TIF financing in neighborhoods with far greater needs that are receiving a fraction of the TIF commitments.³⁷

REIA participants also noted that if these TIFs increase the property tax burden for the city overall, that might exacerbate the existing inequities in Cook County's property tax system.³⁸

Undermine community priorities and vision for neighborhood development

REIA participants from all impacted communities expressed concerns that the work that community groups had put into planning for the future of Chinatown, Pilsen, and other areas adjacent to these developments was not being taken into account by the city or the developers. REIA participants often saw these projects as the next step in a project to build a "whole new Chicago" that did not include them, instead perhaps catering to younger, whiter, professionals interested in living close to downtown. Frustration with the general lack of transparency in the decisions and implementation of TIFs was a frequently shared perspective. Participants felt the city only invited public comments during the approval stage, at which point it was far too late for impacted communities to meaningfully shape the development.

Even more than other planning and development processes, the TIF process is seen as complicated and opaque and it seems that the decisions are all made behind closed doors. Further confusing the issue is the role Alders play in the process and the

irregular and shifting nature of ward boundaries. REIA participants from all communities saw a need to educate the public about the TIF program and provide more transparency around the process. Allowing for more active public engagement throughout was also seen as critical. Community discussions through this REIA confirmed and added to the voices decrying the lack of transparency and mistrust of how the city uses TIF.

"IT WOULD BE GREAT IF PEOPLE WERE BROUGHT IN EARLY ON AS PART OF THE DESIGN VERSUS BEING INFORMED AT THE END."

REIA participant at the first workshop focused on The 78, in Pilsen

Undermine trust in government

The city's approval of these developments and the use of TIF funds to subsidize them evoke mistrust in a few ways. While officials in the outgoing Emanuel administration argued that these deals benefit the city's shared financial future, many REIA participants decried the transfer of public dollars to private corporations for deals that would be profitable even without the public subsidy. They pointed to the fact that the subsidies are being directed to two parts of the city where development capital needs little encouragement, where development would happen without subsidy. The specific infrastructure improvements that the city is paying for with TIF did not appear

³⁷ For further discussion of Cook County's inequitable property tax system:

- Jason Grotto & Hal Dardick, "Cook County's Residential Property Tax Assessments Deeply Unfair, Independent Study Confirms," ProPublica Illinois, Feb. 15, 2018, <https://www.propublica.org/article/cook-county-residential-property-assessment-study-results>
- Civic Consulting Alliance, Residential Property Assessment in Cook County (2018), <https://www.ccachicago.org/wp-content/uploads/2018/02/2018-Residential-Property-Assessment-Final.pdf>
- Michael Romain, "New paper: Black and Brown homeowners overtaxed by at least \$300 a year," Austin Weekly News, Aug. 7, 2020, [https://www.austinweeklynews.com/News/Articles/8-7-2020/New-paper-Black-and-Brown-homeowners-overtaxed-by-at-least-\\$300-a-year/](https://www.austinweeklynews.com/News/Articles/8-7-2020/New-paper-Black-and-Brown-homeowners-overtaxed-by-at-least-$300-a-year/).

³⁸ Hal Dardick, "Aldermen relied on a study to approve \$1.3 billion for Sterling Bay's Lincoln Yards. Turns out that Sterling Bay hired the consultant who wrote it," Chicago Tribune, Feb. 18, 2020,

critical to the viability of these projects, nor critical to realize the tax increment, that is the core goal of these investments. REIA participants also expressed alarm about the \$800 million in financing costs that the city has committed to covering between the two TIFs.

REIA participants generally viewed the process to designate and approve these developments and their TIF subsidies as rushed and opaque, adding to the general sense of mistrust. These feelings have been validated by revelations about how Lincoln Yards' TIF subsidy had come to pass. "The city's TIF consultant," who carried out the eligibility study to determine that the project site was eligible for TIF, was in fact selected and paid by the project's developer, Sterling Bay. The same consultant was also retained by the developer to lobby on its behalf on the final terms of the Lincoln Yards agreement.³⁹

The Lincoln Yards site barely qualified as "blighted" under state law, and therefore eligible for a TIF district designation, when it passed City Council in April 2019. That designation was based on 2017 property tax assessments, because 2018 assessments were not yet ready. When they were available six weeks after the City Council vote had been rushed through at the urging of then Mayor Emanuel, they showed that the project site was not TIF-eligible.

Even where TIF infrastructure investments were viewed as positive, REIA participants tended to be suspicious of the city's bias towards mega-projects and mega-developers. The fact that the contracts to carry out these infrastructure improvements were also given to the developers with most to benefit cemented a common

SUMMARY OF REIA RESULTS

Benefits and burdens

The following is a summary of the key impacts identified by REIA participants, and their discussion of who benefits and who is burdened by each.

Increased property values

Dense, mixed use development on both sites will lead to higher property values than the existing uses: a mix of legacy industrial and commercial uses in the case of Lincoln Yards, and long-vacant land in the case of The 78.

Who benefits?

This will most immediately and directly benefit the developers and their investors, with property owners in surrounding neighborhoods likely seeing benefits as well. In the case of Lincoln Yards, property owners around the development are much whiter than the city overall and already enjoy significantly higher property values than the rest of the city: according to one measure, median home values in Bucktown and western Lincoln Park are between \$600,000 and \$1.2 million, well above the citywide median value of around \$250,000.⁴¹

After the TIFs expire in 2043, the higher property values at both project sites should translate to higher tax revenue, which would increase the capacity of the city and other public agencies to provide needed services.

Who's burdened?

Residents of adjacent neighborhoods vulnerable to displacement. Renters in neighborhoods close to each of the TIFs may see rent hikes as property values increase. These households are already vulnerable to displacement in neighborhoods close to each TIF to some extent, as discussed in section two, because of rent increases in these areas. These households are disproportionately non-white.

REIA participants, particularly in Chinatown, expressed concern for homeowners with moderate incomes who may not be able to keep up with large increases in their property tax bills caused by rapid appreciation in property values and any increase in residential taxes caused by the capture of tax revenue within TIFs. Cook County's existing property tax system already places a disproportionate burden on low- and moderate-income homeowners in non-white neighborhoods.⁴² Chicago's use of TIFs may further distort how property tax burdens are distributed, magnifying existing inequities in the County's property tax system.

Displacement in these neighborhoods, including Pilsen and Chinatown, also burdens the broader communities who rely on their culturally-specific businesses and services.

**"WHY DOES
STERLING BAY
NEED THIS
MONEY?"**

REIA participant at
the third session

⁴¹ Zillow's Home Value Index, <https://www.zillow.com/chicago-il/home-values/>.

⁴² Jason Grotto, "The Tax Divide," Chicago Tribune, June 10, 2017, <https://apps.chicagotribune.com/news/watchdog/cook-county-property-tax-divide/assessments.html>

TIF-funded infrastructure

The two TIFs will lead to over a billion dollars in infrastructure improvements, primarily road and rail, that the developers will pay for up front.

Who benefits?

Most directly benefits the two developers, who played a role in deciding what infrastructure would be funded, own the developments that the infrastructure is intended to support, and who are being paid by the city to build the infrastructure.

The infrastructure investments in both project areas are designed to benefit the future residents of these developments and their immediate neighbors. Workers employed in the construction of these projects will benefit, as will future workers employed at businesses that locate in the new developments.

Lincoln Yards infrastructure

REIA participants saw the residents of the new developments as the chief beneficiaries of the roadway improvements that so far comprise half of the city's \$900 million TIF maximum for Lincoln Yards. The new bridges and road extensions may also benefit residents of Lincoln Park and Bucktown by allowing for more east-to-west traffic flow between the two neighborhoods. As noted by REIA participants and in the press, however, the TIF infrastructure improvements in Lincoln Yards appear designed to address traffic issues caused by Sterling Bay's development plan.

The 606 Extension into Lincoln Park was similarly discussed as a benefit primarily to residents of Lincoln Yards and Lincoln Park, although this was seen by some REIA participants as a benefit to residents further west along the 606 who would have safer non-motorized access to jobs, services, and leisure options east of the river.

While there are not yet funding commitments or concrete plans for improvements to the Clybourn Metra station, this was perhaps the most frequently-discussed infrastructure investment during the REIA. Participants felt that the primary beneficiaries of this investment would be Bucktown and Lincoln Park residents commuting to jobs in the Loop and suburban in-commuters, most likely whiter and more affluent than the city's residents as a whole, because the two lines that service Clybourn Station, UP-North and UP-Northwest, run through Chicago's most wealthy suburbs.

The 78 infrastructure

The TIF-financed infrastructure improvements here are less auto-oriented and appear to have benefits beyond the future residents of the project. REIA participants in Chinatown saw some road infrastructure improvements, like the Wells/Wentworth Connector, as potentially benefiting Chinatown businesses by making the neighborhood more accessible from the Loop.

The new CTA Red Line station at 15th and Clark will benefit residents of The 78 primarily and the South Loop. It's about one half mile from each of the next nearest Red Line stations to the north and south.

Who's burdened?

REIA participants noted burdens stemming from the road investments in both projects. Lincoln Yards' focus on auto-oriented infrastructure seems likely to worsen the congestion on Ashland and North Avenues, both of which are important arterials and significant bus routes. REIA participants raised concerns about people reliant on Ashland Avenue CTA bus routes in particular.⁴³ While The 78 is less auto-oriented, Chinatown residents did express concerns that the new road connections between the neighborhood and the Loop would exacerbate already congested traffic in the neighborhood and specifically hinder access to Ping Tom Park from the rest of Chinatown.

⁴³ Active Transportation Alliance, 9 Ashland Route Report Card, https://activetrans.org/bus_routes/9-ashland.

Areas where infrastructure investments are needed

In discussions of both projects, REIA participants repeatedly questioned why these infrastructure projects were needed, and what infrastructure improvements elsewhere in the city more urgently need the hundreds of millions of tax dollars being invested in two of the city's most affluent areas. These investments burden the less affluent, disproportionately Black and Latinx residents who rely on transit by making them wait longer for meaningful improvements, such as those in the region's strategic plan for transit capital investments.⁴⁴

For context, the \$200+ million the city has committed to Sterling Bay to build three additional road bridges across the Chicago River between North and Armitage Avenues is more than the amount it would take to fund all of the citywide Bus Rapid Transit improvements over the next ten years, and the \$300+ million committed to Related to build a new Red Line station located a half-mile from the next stations to the north and south is enough to cover all of the ADA accessibility upgrades for the next ten years in the RTA's strategic plan.

Taxpayers citywide

Community members raised concerns about the potential for TIFs to result in greater property tax burdens throughout the city for those not directly benefiting from TIF expenditures, echoing research that finds that TIFs can lead to higher tax rates and service cuts outside the TIF district. Evidence that TIFs in economically-thriving parts of town increase the property tax burden throughout Chicago and Cook County is especially concerning given the disproportionate burden our property tax system already places on lower-income communities of color.⁴⁵

REIA participants also questioned whether the specific investments funded by TIF, such as the Red Line station outside The 78, were actually contributing meaningfully to the increase in property tax revenue from each site. Not building this station would save \$500 million in tax dollars, and the development seems likely to create the same tax revenue without the station.

“INVESTMENT IS GOING TO THESE STREETS TO BENEFIT A LOCAL DEVELOPMENT, BUT WE NEED REGIONAL CONNECTIONS THAT COULD SERVE HIGH-NEED COMMUNITIES, LIKE METRA ELECTRIC”

Participant at the second
Lincoln Yards workshop

⁴⁴ RTA, The 2018-2023 Regional Transit Strategic Plan for Chicago and Northeastern Illinois, <https://rtachicago.org/sites/default/files/documents/strategicprograms/strategicplan/Invest%20in%20Transit%20Priority%20Projects.pdf>.

⁴⁵ Jason Grotto & Hal Dardick, Cook County's Residential Property Tax Assessments Deeply Unfair, Independent Study Confirms, ProPublica Illinois, February 15, 2018, <https://www.propublica.org/article/cook-county-residential-property-assessment-study-results>.

Environmental remediation

Both plans involve seawall improvements, and Lincoln Yards involves significant remediation, pollution clean up, and removal of industry from development areas.

Who benefits?

The residents of Lincoln Yards and adjacent neighborhoods, will see the direct benefits of cleaner air as a result of the removal of industry from the former manufacturing district where Lincoln Yards is located.

Who's burdened?

Residents of the neighborhoods where industry and polluting facilities are moving, such as SE Chicano and Little Village. These neighborhoods are more likely to be home to Black and Latinx households, low- and moderate-income households. They are also the neighborhoods most burdened already by pollution in the city. Since this REIA concluded, a coalition of community groups filed a civil rights complaint with the U.S. Department of Housing and Urban Development further detailing the city's history of concentrating pollutants on the Southeast Side, how the city steered General Iron to the 10th Ward specifically, and the toll these cumulative environmental burdens have on the communities living there.⁴⁶

Parks and open space

Who benefits?

Residents of the new developments and their neighbors.

Who's burdened?

Because the open space appears to be privately owned and operated, REIA participants fear non-residents — Black and Latinx visitors in particular — will not be able to enjoy the parks, in part because of over-policing by private management and by residents of the development.

Housing development

Both developments include large housing components. These units will primarily be market-rate, but both developers are required to maintain a portion of that housing as affordable, as detailed in section one.

Who benefits?

REIA participants discussing both developments generally perceived the target demographics to be young, white, and more affluent and therefore expected the market-rate housing in both developments to be largely geared towards smaller, more affluent households.

The commitments by both developers to include affordable housing on and off site was generally viewed as a positive. REIA participants noted the potential to retain and create more neighborhood diversity through the provision of affordable housing and a variety of housing types on site as a benefit.

Participants noted that people with disabilities may benefit from new housing construction because of the accessibility features that are more commonly included.

Who's burdened?

Largely non-white communities near these projects that are already among the communities most at risk of displacement due to rising housing costs. These developments could serve to extend the geography and intensity of gentrification, particularly around Chinatown and Pilsen. Senior Chinese residents were raised as an exceptionally vulnerable population, and REIA participants in Chinatown expressed concern that the amount, affordability, and placement of affordable housing might not align with their community's needs.

REIA participants also noted that these developments would have been obligated to maintain at least 10% of their housing units as affordable even without TIF or other public funds, and that the city could increase that obligation, as it has in "ARO Pilot Zones", such as the Near North Zone which borders the Lincoln Yards project site.⁴⁷

⁴⁶ Brett Chase, "Feds should investigate city for moving heavy industry to low-income neighborhoods, groups say," Chicago Sun-Times, Aug. 13, 2020, https://chicago.suntimes.com/2020/8/13/21366512/south-side-groups-seeks-federal-investigation-of-chicago-zoning-general-iron?fbclid=IwAR-OvdyMtLk7qGG_FYFdC8CdVczAVz5NwWnYDJ842TYTzqRIDNL6mQAe9bs.

⁴⁷ <https://www.chicago.gov/city/en/depts/doh/provdrs/developers/svcs/aro.html>

Economic development

Who benefits?

The primary beneficiaries in each case were again the developers with control over these large developments. Both projects are expected to benefit national chains and corporations over local enterprises.

Participants discussing both The 78 and Lincoln Yards generally felt that the retail and amenities available in the new developments would cater towards similar demographics as their relatively-white and affluent neighbors: Lincoln Park and Bucktown for Lincoln Yards, and the South Loop for The 78.

Once completed, both developments are anticipated to create jobs ranging from low/minimum wage positions to high-paying corporate jobs. Participants did expect both developments to create construction jobs that were more likely to benefit Chicagoans residing outside the neighborhoods closest to the project areas.

Who's burdened?

Further concentration of investment and economic development activity in the city's booming areas could widen the gulf separating Black and Brown neighborhoods grappling with legacies of disinvestment.

REIA participants feared that retail and commercial space would become more expensive, as more national chains and retailers catering to more affluent residents and workers at The 78. This could have the effect of displacing existing small businesses and nonprofits - particularly those that serve the needs of immigrant communities clustered near The 78. REIA participants in Pilsen and Chinatown were particularly concerned that The 78 could harm the cohesion and continued viability of immigrant communities and their social service providers, businesses, and other community-serving institutions by changing the demographics of neighborhood residents and visitors. Even if not displaced, REIA participants worried that these business communities may not have access to the capital or political actors needed to secure space in the new developments, since those are investor driven and more likely to pitch national retailers.

"WHO IN THE CITY
HELPS TARGET REAL
BLIGHTED AREAS?"

Participant at the first
workshop focused on The 78

RECOMMENDATIONS

RECOMMENDATIONS

Across the REIA participants who collectively spent 15 hours in community discussions on these issues, three clear sets of recommendations resulted: 1) prevent immediate harm from the two TIFs that prompted this REIA; 2) reform the processes that determine where and how TIF is used; and 3) restructure how we make planning and development decisions in Chicago.

1. Lincoln Yards and The 78: prevent further harm to most impacted communities

The city should act immediately and proactively to address the adverse impacts of The 78 and Lincoln Yards.

1a. Stop the relocation of General Iron to the Southeast Side

REIA participants believed the city should stop relocating industrial facilities from the former North Branch Industrial Corridor — where Lincoln Yards is located — to the neighborhoods that are already Chicago's hardest hit by pollution. General Iron is the latest polluter that the city is steering from the area around Lincoln Yards to the Southeast side. As of the time of publication, General Iron only needs one more permit in order to relocate.

1b. Stop infrastructure components of both RDAs on which work has not yet started

REIA participants viewed the city's huge financial commitments for infrastructure projects in these TIFs as bad uses of public funds that benefit few. This spending now seems unconscionable, in light of the pandemic and the budget hole. Both Redevelopment Plans state that they may be amended, and the Redevelopment Agreements reserve for the city the right to amend, modify, or supplement the Redevelopment Plan without the consent of any private party.⁴⁸

The city should revisit the ordinances that created these TIF districts and the commitments to fund

specific infrastructure to support these developments, and reallocate these tax dollars to plug budget holes and needed COVID relief. The City's budgeting process must include TIF alongside other revenues/ expenditures so Chicagoans can see where their money is going. The existing CACs could be a vehicle for this outreach and a new mode of decisionmaking.

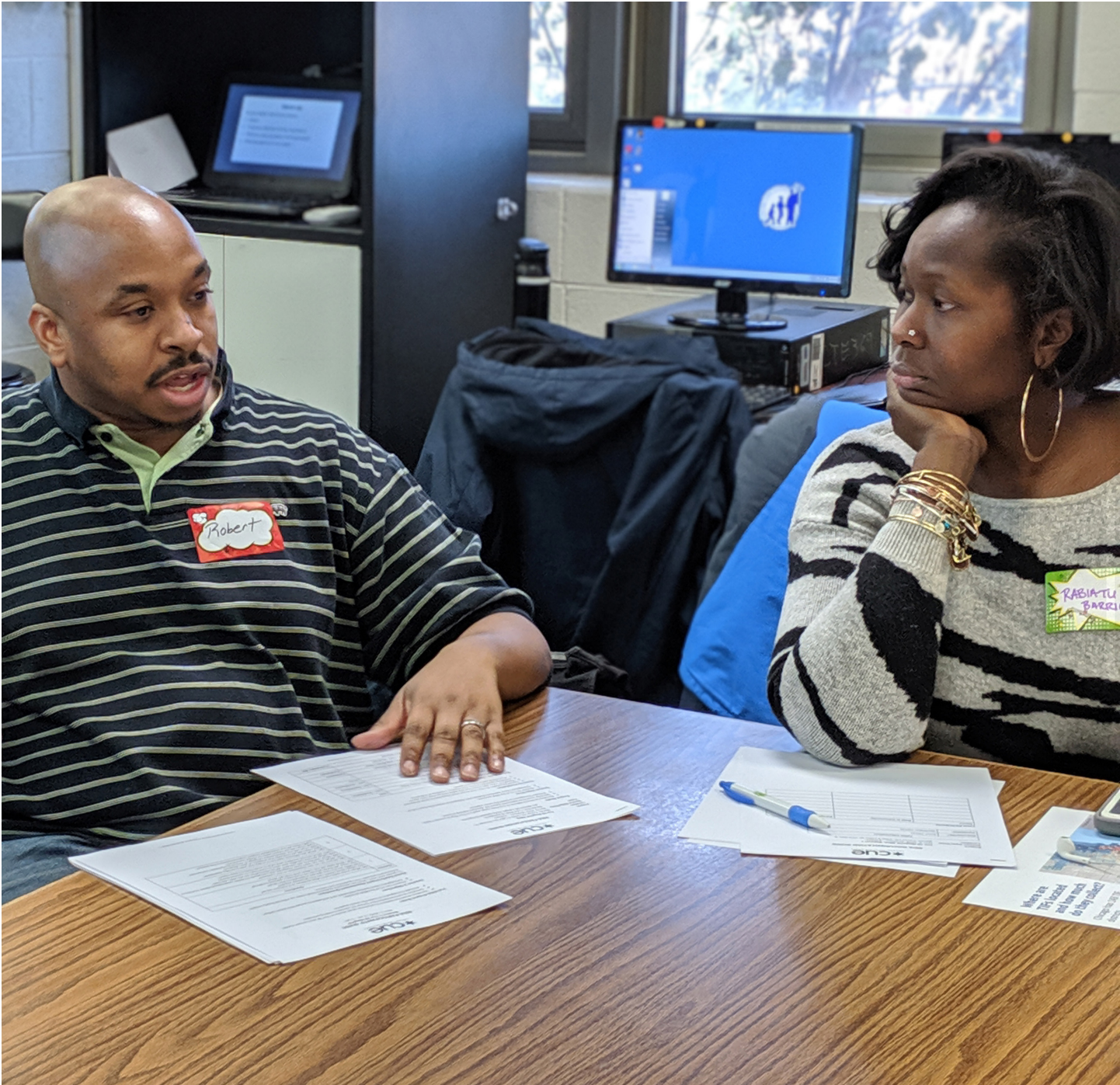
1c. Proactively implement policies to address residential and commercial displacement around both projects

Specific policies raised during the REIA include rent control, and proposals developed by impacted communities that the city, such as the Just Cause ordinance, protecting residents from eviction,⁴⁹ and the Homes for All/Development for All ordinance proposals that would increase how much affordable housing is created.⁵⁰

The Woodlawn Housing Preservation Ordinance contains policies that REIA participants discussed, such as giving preference and public resources to communities at risk of displacement rather than to large developers, that could be expanded to communities facing displacement pressures across the city.

⁴⁸ Section 18.01 in both RDAs





1d. Create a meaningful community role in shaping these developments

Community oversight is vital to ensuring that the harms discussed by REIA participants do not materialize. Throughout the process, community members discussed frustration at not having enough information about the developments or the intersecting planning and development financing processes to be able to weigh in effectively, and apprehension about government community engagement generally “checking a box” without actually responding to community concerns. REIA participants were also concerned about the city’s willingness to hold developers accountable for their jobs and affordable housing commitments.

The city should address the lack of transparency leading up to the approval of these developments and their corresponding TIF districts by funding:

- Proactive outreach to the community about the scope of each development, what has been approved and what portions of the developments may still be shaped. This should include discussions about the scale of public resources being deployed in each development and community-generated alternatives.
- Impact assessments called for by communities around each development. REIA participants discussed gaps in existing impact assessments related to the city’s designation and approval of these TIF districts and redevelopment agreements. Participants recommended that the city consider a broader range of impacts, such as impacts on the environment and racial equity, in a holistic analysis with a geographic scope that incorporates communities and neighborhoods beyond the literal boundaries of a TIF district.

Build on the CAC structure to create a meaningful platform for community power

Community stakeholders asked for power to shape the development of their neighborhoods and to guide

the use of public funds. The Mayor’s convening of Community Advisory Councils is a nod in that direction, but meaningful community involvement will require more than a panel convened every quarter to hear updates from the developer.⁵¹

REIA participants expressed concern that these bodies do not have meaningful power and are likely to be either co-opted by people seeking to benefit from the TIF program to the detriment of low-income people and people of color, or a board easily sidelined and only brought in once decisions have already been made.

Develop legitimate and authentic community engagement and make a meaningful shift of power to impacted communities by granting these Councils the authority to revisit the TIF commitments and enforce developer requirements, expanding beyond their current advisory roles to include:

- Ensuring alignment with existing and planned community planning efforts, such as CBCAC’s Vision Plan and the upcoming 25th Ward Quality of Life Plan
- Authority to identify portions of each RDA and Planned Development to be canceled or renegotiated.
- Veto power over future RDAs in either TIF district
- Oversight over developer compliance with ARO and other requirements. As part of the PD renegotiation process, this may include additional or heightened requirements responsive to community needs. Specific compliance issues raised by REIA participants include:
 - The amount, placement, and affordability levels of affordable housing.
 - How jobs commitments are fulfilled, with particular attention to the targeting of such opportunities to existing neighborhood residents.
 - The inclusion of existing area businesses into fulfilling economic development commitments.

⁵¹“Op-Ed: A Just Cause for Chicago Tenants,” *Southside Weekly*, April 27, 2020, <https://southsideweekly.com/op-ed-just-cause-chicago-tenants/>.

⁵²Chicago Housing Initiative, <https://www.chicagohousinginitiative.org/copy-of-values-why-fight-for-ktp>.

⁵³Two Community Advisory Councils, one for The 78 and one for Lincoln Yards, were announced by Mayor Lightfoot in December 2019 to serve as “conduit[s] for community input as construction moves forward over the next three years.” Both CACs consist of neighborhood representatives, community leaders, design professionals, and subject-matter experts appointed by Mayor Lightfoot in consultation with local stakeholders. The group meets quarterly, and, according to the Mayor, will make advisory recommendations ranging from public infrastructure design to traffic control to open space, among other issues.

2. Process reform: change how and where TIF is used

REIA participants identified short-term changes that the city could make while a community-led planning process defines the longer-term reforms to TIF and the broader system of planning and development finance. Many of these recommendations brought up by REIA participants have been raised by reform panels and community groups alike, time and time again.

Overhauling the system will take time, and may have to involve Springfield. But there are short-term changes the city can make on its own to prevent inequitable uses of TIF like this from happening again.

2a. Stop using TIF to support for-profit development in affluent areas

Using TIF in areas already experiencing economic growth can have the effect of capturing tax dollars for investment in neighborhoods that need them the least. The city should not approve TIF districts to support private, market-rate developments in affluent areas, like Lincoln Park. In these neighborhoods, TIF and other forms of public subsidy should be limited to the development of affordable housing, or other projects designed to prevent displacement or increase housing opportunities and combat housing segregation.

Perhaps the most common reform suggestion from REIA participants was for the city to adopt a more stringent definition of “blight” than that provided in state law, so that TIF is actually used to benefit neighborhoods that need the targeted economic development assistance. REIA participants also pointed out that currently the city justifies TIF for specific projects that would not move forward without the subsidy. Instead, REIA participants suggested that the city should make project-by-project decisions similar to the “but for” requirement required to establish a TIF district – meaning that projects should not be funded in areas that would develop without the subsidy for that particular development.⁵² This change would have big consequences in the case of these mega-TIFs. It would be difficult to make the case that development

would not reasonably occur in Lincoln Park and the South Loop.

2b. Include community earlier in the TIF district designation process

REIA participants discussed the need to reform the city process for approving and programming TIF districts. The focus of this reform was shifting the engagement and decision-making process from a developer-driven approach to a community-driven approach. This was seen as particularly important from a racial equity perspective given the perceived underrepresentation of people of color among developers.

The TIF Investment Committee (TIC) process for vetting TIF applications is a step in the right direction, but the process needs to be made more transparent and accountable to the communities shaped by TIF-funded developments and reliant on tax-funded services.

The process remains insulated from community involvement. TIF designations — even after Mayor Lightfoot’s reforms — continue to be made behind closed doors.⁵³ Public input is sought after a TIF area designation and redevelopment plan is drafted. The TIC has continued approving TIF project applications during the pandemic.⁵⁴ Absent a community-driven comprehensive planning process that allows communities across the city to put together a vision to guide development, significant project plans like these TIF proposals need to be vetted by the communities they’re impacting before they move past this stage.

TIF designation should explicitly consider racial equity and other community-defined criteria.

REIA participants discussed gaps in existing impact assessments related to the city’s designation and approval of these TIF districts and redevelopment agreements. Community members recommended that the city consider a broader range of impacts, such as impacts on the environment and racial equity, in a holistic analysis with a geographic scope that

⁵² Chicago, “Mayor Lightfoot Announces Major Reforms to The City’s Approach to Allocating Tax Increment Financing (TIF) Funds,” https://www.chicago.gov/city/en/depts/mayor/press_room/press_releases/2020/february/TIFReforms.html.

⁵³ Chicago, 2020 TIF Program Guide, https://www.chicago.gov/content/dam/city/depts/dcd/tif/2020_TIF_Program_Guide.6.1.pdf.

⁵⁴ Since March 2020, the TIC has considered 131 proposals for a total of \$95 million in TIF funds, approving 105 of them for \$62 million. Chicago Open Data Portal, TIF Investment Committee Decisions, <https://data.cityofchicago.org/d/jx28i-i23q>

incorporates communities and neighborhoods beyond the boundaries of a TIF district.

The criteria applied to TIF proposals by the TIC should include equity measures. Funding decisions and planning designations, including decisions to designate TIF districts and to approve redevelopment agreements need to consider a broader range of impacts, such as impacts on the environment and racial equity, with a geographic scope that incorporates communities and neighborhoods beyond the boundaries of a TIF district. These impact assessments should be carried out by community, third parties, or other parties who are not seeking to profit from the proposed development.

Add requirements around the selection of developers conducting activity in TIF districts

REIA participants discussed the need for the city to fund local, neighborhood-based groups in TIF districts where possible. The city's rules for approving TIF districts and redevelopment agreements need to change so that TIF funds aren't used to benefit large, for-profit, private developers given control of large swathes of land. Where TIF is used, REIA participants questioned why the city awards development rights for entire neighborhoods to a single developer — TIF can be used to fund infrastructure work, but the development of land in a TIF district need not be limited to one big developer. Developers should also not be allowed to dictate what infrastructure should receive TIF funding.

One specific process change to help avoid this scenario would be to require a delay between the passage of Redevelopment Plans, which create TIF District designations, and the Redevelopment Agreements, which actually allocate TIF funds to particular entities. With Lincoln Yards and The 78, the city committed half of the money in each TIF to developers on the same day they created the TIF districts. A delay should be required, allowing the community to actually analyze and respond to the (approved) TIF details and the (proposed) Redevelopment Agreements.

Create meaningful measures for accountability and enforcement

Add accountability measures such as required disclosures, and enforce penalties when developers don't live up to commitments, or for when Redevelopment Plans are based on intentionally misleading tax assessments.

2c. Ensure process for longer-term reforms is community-led

Ensure that longer-term reforms are developed through a community-led process. REIA participants expressed mistrust of reforms cooked up behind closed doors, such as the Mayor's February 2020 reforms. Areas for reform raised by REIA participants included revisiting the rules around porting and how much TIF must be spent within a district, and allowing taxing bodies, such as CPS, to opt-out of a TIF.

2d. Advocate for changes to state law where needed

REIA participants pointed to the need to reform state law(s) governing the use of TIF. The city can choose to enact any of the above reforms without state legislative action, but the city should advocate for changes to state law where necessary or as proposals arise.

**"OTHER CITIES
DON'T ALLOW LARGE
SUBSIDIES FOR
PRIVATE DEVELOPERS.
WE DON'T HAVE TO
EITHER."**

REIA participant at the final workshop

3. Structural reform: change how we make planning and development decisions

The city needs a complete paradigm shift in how it does planning and development. This includes TIF, but it goes much farther. REIA discussions quickly went beyond TIF-specific policies to point to the ways in which the planning and development finance system, that TIF is a part of, is broken. Participants in the town halls found that development in Chicago is driven by developers and financial interests, and not our neighborhood communities.

Pressures on the city's current, broken system of development are only going to grow, as a variety of causes shift capital towards infill development. Climate change presents another inevitable source of pressure. Climate migration is already occurring, and — whether or not we plan for it — Chicago is likely to be a destination, given our relatively hospitable climate and abundance of fresh water.

REIA participants discussed the need to move away from our current system of site-by-site, project-by-project planning that privileges those with connections and resources, towards a more comprehensive process that shifts from top-down decision making to networked, bottom-up planning.

3a. Create a comprehensive plan through a transparent, community-led process

This REIA points to the need for the city to create an inclusive, comprehensive planning process that connects neighborhood and community visions and puts forward a unified framework for the city's development.

TIF designations and redevelopment plans are theoretically implementing vision for development and meeting needs, but without being tied to a comprehensive citywide plan, whose interests are being planned for and financed?

This foundational step will allow us to move beyond the current paradigm, where developers bring their plans

and visions to the city to be worked out behind closed doors. A comprehensive plan to guide development is necessary to move beyond ad hoc, reactive planning and development, and to realize this Mayor's stated goal of ensuring "the City's economic investments do not rely solely on a one-off, developer-driven approach."⁵⁵ REIA participants envision this comprehensive plan will guide the city's capital investment planning and budgeting, so that future spending on infrastructure will be based on the critical needs throughout the city rather than projected revenue from individual projects.

An important component of this plan stressed by REIA participants is accountability. This means that the process for creating this plan will be transparent and community-led, and also that the final plan will contain metrics, milestones, and other accountability measures to ensure implementation of the plan.

3b. Create structures for community-led planning, development, and ownership

REIA participants discussed the need to reform the city's developer-driven approach to planning and development. In addition to a comprehensive plan that would set city-wide and neighborhood visions, REIA participants pointed to the need for the city to retool its development approval processes to facilitate meaningful community decision-making, moving towards co-creating with community rather than perfunctory consultation once decisions have been made.

Getting there will require our collective decision-making institutions to learn new practices, to reassign value, and to devolve decisionmaking to build legitimacy. A start would be for the city to develop processes for community initiated development. This should include mechanisms for the community to reject proposals through some sort of veto, such as the community council concept. Extra scrutiny should be

⁵⁵ Chicago, "Mayor Lightfoot Announces Major Reforms to The City's Approach to Allocating Tax Increment Financing (TIF) Funds," https://www.chicago.gov/city/en/depts/mayor/press_room/press_releases/2020/february/TIFReforms.html.

⁵⁶ CAFHA and Shriver Center, Working Toward a Healed City: How Chicago can build equitable communities from the ground up (2019), https://fafc560b-6d54-4759-b684-3e5e64c9fb99.filesusr.com/ugd/e6d287_7274fd8626c04920b460ae5cf53ae304.pdf.

⁵⁷ DPD, Chicago Sustainable Development Policy (2017), https://www.chicago.gov/city/en/depts/dcd/supp_info/sustainable_development/chicago-sustainable-development-policy-update.html.

applied when public resources, including city-owned assets, are involved in possible development plans. A specific example of such a structure that came up during the REIA discussion is the proposal for “Community Development Action Councils” put forth by the Shriver Center and CAFHA, working with a coalition of community groups.⁵⁷

3c. Develop and adopt development criteria that center equity

Getting to equitable outcomes for Chicagoans will require new criteria for selecting developments. Models exist in other cities (e.g., Seattle), and we already do this in Chicago in other areas — for example, the city’s Sustainable Development Policy translates green development goals into screening criteria and development requirements that guide project approvals on the front end.⁵⁸



⁵⁷CAFHA and Shriver Center, Working Toward a Healed City: How Chicago can build equitable communities from the ground up (2019), https://fafc560b-6d54-4759-b684-3e5e64c9fb99.filesusr.com/ugd/e6d287_7274fd8626c04920b460ae5cf53ae304.pdf.⁵⁸ CAFHA and Shriver Center, Working Toward a Healed City: How Chicago can build equitable communities from the ground up (2019), https://fafc560b-6d54-4759-b684-3e5e64c9fb99.filesusr.com/ugd/e6d287_7274fd8626c04920b460ae5cf53ae304.pdf.

⁵⁹ DPD, Chicago Sustainable Development Policy (2017), https://www.chicago.gov/city/en/depts/dcd/supp_info/sustainable_development/chicago-sustainable-development-policy-update.html.