

# Chicago's Public Works Program: Is It Working for Everyone?

*Capital Investment in Our Neighborhoods 1990-2002*

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Revised Edition

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## Executive Summary and Major Findings

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Since taking office, Mayor Richard M. Daley's administration has allocated over \$7 billion<sup>1</sup> for replacing and improving Chicago's basic infrastructure – the “bricks and mortar” investments that form the foundation of the City's neighborhoods and its economic base. That money has gone to streets and alleys, sidewalks, water mains, sewers, industrial infrastructure, economic development initiatives and a host of other projects. And while \$7 billion is an impressive figure by itself, it does not answer the most important questions: *How* and *where* is the City really planning to spend its money?

This report analyzes the City's five-year “Capital Improvement Program” (CIP) documents from 1990 through 1998. These documents -- which represent the City's public works “wish list” -- cover *planned allocations* for a 13-year period from 1990 through 2002. We must stress that because the City does not always report actual expenditures,<sup>2</sup> we cannot say for certain how much money was actually spent on capital projects during this period. However, our database does allow us to show how much the City planned for different types of projects in various areas of the City. NCBG developed a database covering 6,070 individual entries for 3,126 separate projects in order to track planned investments and evaluate planned spending patterns. To get a sense of local impacts, we determined which wards were affected by each project. We then ranked the wards according to how much money the City allocated to each one. (*The complete ward-by-ward rankings are on page 9.*) Allocations for the City's airports were excluded from our analysis.

Overall, NCBG's careful analysis of the City's Capital Investment Program reveals a pattern of investment that favors the “Central City” – downtown and the Lakefront together with the booming real estate markets on the Near South and Near West sides. No one questions the importance of maintaining a thriving downtown business district or preserving Chicago's Lakefront treasures. But the vast disparities in public investment between these areas and the rest of the City raise serious questions about the City's priorities. Contrary to what some observers might expect, the level of investment in particular wards does not appear to follow a simple pattern of aldermanic clout. Rather, private sector developers now possess that clout when it comes to allocating the City's public works dollars. It appears that the Central City has been deemed to be Chicago's priority as an economic engine, and that the vast majority of the City's population and commercial base has been allocated a substantially smaller share of the City's capital resources.

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<sup>1</sup> This figure -- **\$7,145,375,103** – represents planned allocations for all programs except aviation from 1990-2002 and was calculated from the City's annual Capital Improvement Program documents, beginning with 1990 and ending with 1998. Unlike the ward-by-ward rankings, it includes projects with a city-wide – as opposed to distinctly local – impact. The figure excludes funds associated with projects that disappeared from the CIP with no evidence of construction. **It also excludes the aviation category.** Although airports are included in the City's CIP, this report focuses on infrastructure that affects city services, transportation, and economic development. As self-supporting enterprises, the airports have little impact on how much or where capital investment is made in the City's urban infrastructure. Of course, airports have some spillover effects on investment, but those are largely contained in other program categories. The Midway Orange Line, for example, is included in the Transit category, and work on Cicero Ave. outside the airport is contained in the Transportation category.

<sup>2</sup> The City does report expenditures in its Comprehensive Annual Financial Report (CAFR), though it is incompatible with the CIP and incomprehensible to the general public. When published, the Construction Status Reports provide expenditure data for completed projects but not for projects in-progress. Those reports, however, have been inconsistently published.

The report documents four specific findings:

**The City's public investment strategy focuses primarily on the "Central City" at the expense of Chicago's neighborhoods.**

*Three wards (2, 27, and 42) by themselves account for 20 percent of all infrastructure allocations analyzed in this study. These areas, which represent the Loop and the booming real estate markets that surround downtown, represent \$880,629,436 worth of planned investment.*

In general, we excluded projects with a city-wide impact, such as the Chicago Skyway, repairs to Lake Shore Drive, or the CTA's new Orange Line. Some city-wide projects, however, further the notion of a "Central City" investment strategy. When we included those city-wide projects in the Central City (the Harold Washington Library Center, Lake Shore Drive Relocation, structural rehabilitation to the Loop L, and the Lakefront Millennium Project), we found that *total investment in the three Central City wards climbs to \$1,342,499,936*.

**The City is not meeting the "bare-bones" infrastructure needs of its neighborhoods.**

There are vast disparities between the top 10 and bottom 10 wards. *The 42nd Ward receives over 10 times more planned investment than Bernard Stone's 50th Ward, which ranks last on the list. The 10 top wards received allocations totaling \$1,666,923,163 – 38 percent of the city-wide total -- while the bottom 10 wards received \$577,891,404 -- just 13 percent of the city-wide total.*

In order to judge how well the City is meeting the needs of its neighborhoods, NCBG estimated how much money a typical ward needs to keep its bare-bones infrastructure from crumbling. We approximated that a typical ward needs about \$4.8 million per year for its basic infrastructure such as sewers, water mains, arterial streets, traffic signals, residential streets, sidewalks, alleys, and lighting. We compared that figure to the total basic infrastructure allocations and found that even if we assumed that wards getting at least \$4 million were keeping up with deteriorating infrastructure, *only five of the 50 wards received enough money to keep their basic infrastructure from crumbling.*

While the rate of planned public spending in Chicago's neighborhoods has gradually increased over the years, NCBG questions whether there is a sustained commitment to neighborhood investment. We commend the City for increasing the amount it allocates to each ward per year for basic infrastructure projects – an increase of about \$500,000 (from \$2.8 million to \$3.3 million per year). However, a closer look reveals some uncertainty about how many new projects will actually be completed. The Capital Improvement Program includes projects for which no concrete funding source has been identified. Historically, these projects have been the first to disappear from the City's priority list. In the most recent CIP (1998-2002), *half of all neighborhood infrastructure projects are left unfunded.*

## **The City is not meeting the infrastructure needs of its industrial base.**

As with neighborhood infrastructure projects, NCBG is concerned about the City's commitment to retaining and attracting a strong industrial base. Industrial projects suffer even more severely when it comes to securing concrete funding sources: *75 percent of industrial street projects and 57 percent of viaduct clearance projects are unfunded in the 1998-2002 CIP.*

The total allocation for industrial projects (viaduct improvements, industrial streets, the Industrial Development Initiative, and Brownfields Redevelopment) from 1990-2002 is **\$624,547,897**, or about \$48 million per year. In comparison, since the City started a large-scale campaign of building median landscape projects in 1996, they have allocated \$132,748,700 (\$22 million per year).

On average, each of the City's 22 industrial corridors has been allocated just \$2,183,734 per year in infrastructure investment.

## **The use of tax increment financing is widening the gap between the Central City and Chicago's neighborhoods.**

Tax increment financing (TIF) has become the City's most prevalent economic development strategy. In short, TIFs use the property tax system to provide incentives for private development in blighted areas through public works investments and direct subsidies. State statute limits TIFs to "blighted" areas, but they are being used with increasing frequency in areas where growth is likely to have occurred without a TIF (such as the Central Loop).

The use of TIFs is increasing at an astonishing rate. So far this year, 19 new TIF districts have been approved by the City Council, representing \$825,503,665 of property value. That brings to 64 the total number of TIFs Chicago has put in place, *more than half of which (36) have been approved in the last three years.* In all, at least \$2,405,976,713 worth of property value is under TIF designation. But while there are a large number of TIFs, most of the property value under TIF designation is downtown. In fact, **more than half** (\$1,237,404,807, or 51 percent) of all the property value within TIF districts is in three wards in or around downtown (2<sup>nd</sup>, 27<sup>th</sup>, and 42<sup>nd</sup>).

\$228,050,157 worth of capital investments funded by TIF dollars can be found in the available CIP documents.

In practice, the use of TIF funds appears to be widening the gap between the haves and the have-nots. This trend stands in stark contrast to the intent of the state law, which aims to reclaim blighted areas that lack other options for attracting investment and spurring economic growth. *The three Central City wards represent \$208,100,584 in TIF infrastructure allocations -- a remarkable 91 percent of the total TIF funds reported in the CIP.*

***The 42nd Ward by itself accounts for 78 percent of the total.***

## Recommendations for Action:

**Prioritize badly needed neighborhood projects over those in downtown and near-Loop wards.** The revenues from the 1999 General Obligation Bond is good news for Chicago's neighborhoods, but the City must guarantee the public that funds from these large-scale borrowing initiatives go to projects in Chicago's neighborhoods, not just more investment in and around downtown. The bond funds should go exclusively to projects that will enhance the economic and job base of Chicago's neighborhoods. But the City should not stop with the money generated by bond issues. NCBG recommends that the City establish a "rainy day fund" that sets aside a portion of each year's City budget for future neighborhood improvements. Such a fund would ensure that the City has a ready reserve of available cash to jump-start economic growth and job creation efforts even when economic times are tough.

**Accelerate implementation of the dozen neighborhood Model Industrial Corridor plans, and assess the infrastructure needs of the other 10 recognized industrial corridors.** Those projects that have already been identified as priorities should be fully funded and their construction schedules accelerated.

**Institute community oversight committees to help prioritize TIF spending on neighborhood infrastructure improvements and job creation for local residents.** Strong community involvement is the best way to energize TIFs and ensure they work to elevate neighborhood economies, not widen the gap between the Central City and the rest of Chicago.

**Institute an annual capital budget to eliminate the City's historic tendency to shift infrastructure priorities.** Such a plan would increase government accountability and compel the City to deliver on the investments that our neighborhoods need most.

## Introduction: What Is the CIP and How Does It Work?

The Capital Improvement Program (CIP) is the official statement of the City's capital improvement plans – how the City plans to allocate its infrastructure money over any given five-year period (e.g., 1990-1994, 1998-2002, etc.). The CIP includes various road projects, sidewalks and alleys, sewers and water mains, bridges, economic development and beautification programs, municipal facilities such as police stations and libraries, and some public transit projects. The CIP also includes the two major airports, though our analysis excludes the entire aviation category.

NCBG analyzed eight of the City's Capital Improvement Programs spanning 13 years of planned investment between 1990 and 2002, as well as six Construction Status Reports<sup>3</sup> prepared intermittently by the City, which include:

**Economic Development:** Industrial streets, viaduct clearance improvements, streetscaping, redevelopment areas, and other economic development programs.

**Municipal Facilities:** Libraries, health clinics, senior centers, human services centers, fire and police stations, city-owned office buildings, and municipal operating facilities (including Streets and Sanitation facilities).

**Neighborhood Infrastructure:** Alley construction, lighting, new street construction, residential street resurfacing, sidewalk construction, and other neighborhoods improvements (mainly cul-de-sacs, speed bumps, and other "traffic calming" measures).

**Sewers:** Sewer construction and rehabilitation.

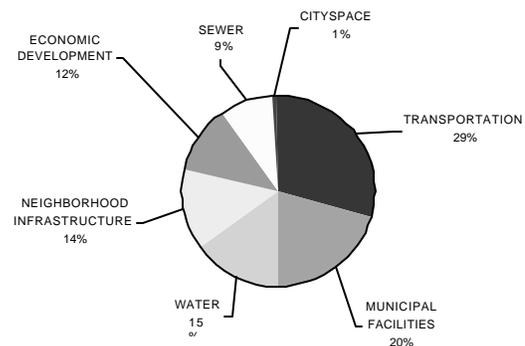
**Transportation:** Bridges, intersection/safety improvements, major streets, traffic signals, and transit.

**Water:** Water mains, pumping stations, the Jardine Water Purification Plant, and the South Water Filtration Plant.

**Cityspace:** A new program in the 1998-2002 CIP that aims to create more parkland and open space.

**Table I: CIP Funding By Program Category<sup>4</sup>**

<b>Transportation</b>	\$2,118,379,433
<b>Municipal Facilities</b>	\$1,436,736,971
<b>Water</b>	\$1,078,446,111
<b>Neighborhood Infrastructure</b>	\$984,580,105
<b>Economic Development</b>	\$839,609,043
<b>Sewer</b>	\$641,689,221
<b>Cityspace</b>	\$45,934,219
<b>Total</b>	<b>\$7,145,375,103</b>



<sup>3</sup> For a complete list of documents referenced, please see Appendix One.

<sup>4</sup> This number represents total allocations in the CIP minus those projects that disappeared without any evidence of construction.

Although the CIP at first may resemble a typical municipal budget document, it differs in several important respects from the City's operating budget (what people generally mean when they refer to the "City Budget"). For one, the City Council never votes to approve the entire CIP as an overall annual spending plan, or even as the official five-year plan. The City Council *is* asked to review funding measures (such as General Obligation Bonds, which provide a large portion of the City's capital money) and some portions of the spending plan (such as the plan for using federal Community Development Block Grant funds). But aldermen never review the City's big-picture capital spending priorities in any formal or meaningful way.

The CIP process begins with a draft document produced by the Office of Budget and Management that reflects initial recommendations of City departments. Public hearings are held in the fall, then OBM releases a final CIP. It is not a legally binding document, and individual items never need to be approved by anyone other than the Mayor's own staff. Consequently, projects are free to appear and disappear at the whim of City Hall staff. It can be quite difficult to track projects over time, to determine if they have been completed, and even to calculate exactly how much money was spent. ***The CIP is not a record of expenditures; it is a "wish list" of public works projects with estimates of how much they might cost.***

### **A Note on Report Methodology<sup>5</sup>**

Because the CIP does not document specific expenditures, we cannot claim to evaluate the actual amount the City has spent on capital projects. However, we can track how the City has *allocated* money. This allows us to arrive at a reasonable estimate of how the City is allocating infrastructure dollars. This report is based on a database containing 6,070 individual entries for 3,126 projects and was compiled by NCBG over almost five years. The dollar figures used are the most recent available. Projects that disappear from the CIP without evidence of construction are not included. For example, if a project appears in the 1997 CIP with no funding source and a 2001 construction date, then fails to appear in the 1998 CIP, we deem that project "disappeared" and eliminate it from our analysis (unless we uncover any evidence to the contrary). *Wherever reasonable, we have given the City the benefit of the doubt when it comes to funding amounts and project completion.*

To determine local impact, we plotted each project on a map of the City's 50 wards. If a project fell on the border of two or more wards, we divided the cost proportionally. For projects with a local impact but no list of locations, we distributed the cost equally among all 50 wards. Projects with a city-wide impact – such as Lake Shore Drive, the Skyway, the Museum Campus, and city-owned buildings -- were not assigned to any ward. *A substantial amount of 42<sup>nd</sup> Ward investment (about \$451 million) beyond the money allocated to downtown in the ward-by-ward rankings fits into this category because it represents projects that all Chicagoans enjoy or that benefit tourism.* Police and fire stations, libraries, health clinics, and human services centers were assigned to the ward in which they are located, even though they often serve multiple wards. Water system projects (other than water mains) were placed in a separate category similar to city-wide projects.

There are several reasons why we use wards as the basis for comparison. While there are many ways to divide the City into regions (e.g., community areas, census tracts, and planning districts), wards are the only unit with any consistency in size. Although geographic area varies, each has a roughly equal population. Furthermore, people view their alderman as their first point of access to the City government. To a limited extent, the City structures its capital investments by ward via the Aldermanic Menu Program, which distributes \$1 million per year to each alderman for use at his or her discretion on a "menu" of local improvements (streets, sidewalks, alleys, etc.). But while wards are the best unit of comparison we have, they are imperfect. A ward with large land area and relatively low population density (such as the 10th) will probably receive more than another, geographically smaller ward.

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<sup>5</sup> For a complete discussion of the report's methodology, please see Appendix One.

## Finding #1: The City's public investment strategy focuses primarily on the "Central City" at the expense of Chicago's neighborhoods.

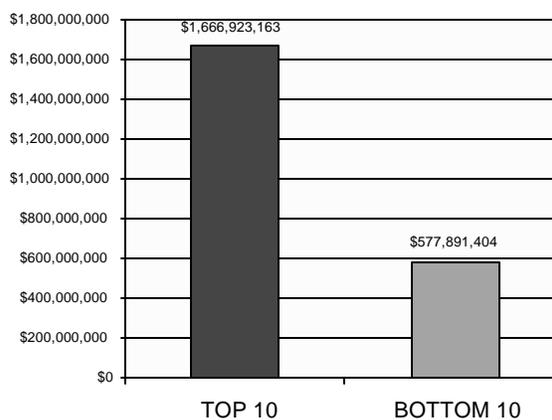
Capital investments — big-ticket items such as roads, libraries, sidewalks, and sewers — are an important indicator the City's commitment to its neighborhoods. When infrastructure expenditures come as part of a coordinated investment strategy, they help build the necessary foundation for economic growth and neighborhood stability. In industrial areas, infrastructure improvements are often life-or-death issues. If a viaduct is too low to allow for truck traffic, or a key street too narrow, access to an entire industrial corridor may be jeopardized. In our neighborhoods, adequate streets, sidewalks, libraries, and health clinics — just to name a few — are vital to establishing or maintaining the quality of life necessary to keep Chicago's citizens in Chicago. *In short, infrastructure investment is as important to Chicago's long-term prosperity as any other single factor.* Overall, the City has allocated \$4,408,368,059 for neighborhood projects. This study hopes to put that figure in context.

Contrary to what some observers might expect, the patterns of capital investment in Chicago do not simply follow a formula based on political clout in which mayoral allies secure the most funding. Rather, it appears that the City has followed a pattern of investment that favors the "Central City" -- downtown and the Lakefront together with the booming real estate markets on the Near South and Near West sides. *No one questions the importance of a thriving downtown business district or preserving Chicago's Lakefront treasures.* But the disparities in public investment between the Central City and the rest of Chicago raise serious questions about the City's economic development priorities.

For this analysis, NCBG selected projects with a targeted neighborhood impact rather than a city-wide effect. We defined "neighborhood impact" as projects that primarily affect a single ward, such as a new street or a viaduct improvement. We also included municipal facilities such as police and fire stations, libraries, transit station improvements, and health clinics in the ward in which they were located, even though they may serve more than one ward. The bridge program, which represents about \$1.8 billion of allocations during the 13 years under study, was excluded. Bridge projects connect regions of the City, and as such have a primarily city-wide effect.<sup>6</sup>

Other projects deemed to have a City-wide effect include municipal office buildings (including City Hall), routine improvements to Lake Shore Drive, repairs to the Chicago Skyway, and Shoreline Protection. We also created a separate category of City-wide "mega-projects" that represent major investments in projects such as the New Police Headquarters, the Harold Washington Library Center, the museum campus, and the CTA Orange Line.<sup>7</sup> We define mega-projects as very large-scale investments that, by their very nature, are not likely to be repeated or replaced for several decades.

**Figure I: Infrastructure Allocations, Top 10 vs. Bottom 10 Wards, 1990-2002**



<sup>6</sup> Removing the bridge program has a relatively minor effect on the overall ward-by-ward rankings, though of course it affects the total dollar amounts. For a ward-by-ward ranking including bridges, please see Appendix Two.

<sup>7</sup> For a complete list of city-wide and mega-projects, please see Appendix Three.

## The Central City represents at least 20 percent of Chicago's planned neighborhood capital allocations.

When we examine the pattern of capital improvement allocations according to this local impact, we find that the "Central City" region – defined here as the 42nd, 27th, and 2nd Wards – far outpaces the level of investment anywhere else in Chicago. Ald. Burton Natarus' 42nd Ward – which includes the Loop and the Gold Coast, as well as a finger that stretches into the Near West side – tops the list with almost \$547 million allocated during the 13 years under study. When we include the areas represented by the 27th Ward (the Near West and Near North Sides) and the 2nd Ward (the Near South Side), that figure climbs to nearly \$881 million – 20 percent of the City's entire planned infrastructure investments for the period.

**Table II: Capital Allocations in the Central City Region, 1990-2002**

Ward	Alderman	Total Investment
42	Burton Natarus	\$546,743,733
2	Madeline Haihcock	\$168,450,233
27	Walter Burnett	\$165,435,470
<b>Total</b>		<b>\$880,629,436</b>

Because this figure excludes city-wide projects, it *underestimates* the extent of this Central City investment strategy. To fully comprehend the extent of this investment pattern, it is important to include all the projects that have an impact on development on this Central City region. NCBG recognizes that all Chicagoans may potentially enjoy these projects that make valuable contributions to our City. We are not attempting to single out individual projects as bad investments. NCBG's concern arises when we look at these investments in the aggregate and detect a pattern of disproportionate investment in the Central City.

**Table III: City-wide and "mega-projects" in the Central City Region<sup>8</sup>**

Project Description	Year	SubProgram	Total Cost
New Central Library – 400 S. State	90	Libraries	\$200,000,000
Lake Shore Drive Relocation (Museum Campus)	98	Major Streets	\$10,100,000
Lake Shore Drive Relocation (8 other projects)	96-97	Major Streets	\$84,392,000
Loop Elevated Structural Rehabilitation	94	Transit	\$17,378,500
Lakefront Millennium Project <sup>9</sup>	98	Other Ec. Dev.	\$150,000,000
<b>Total</b>			<b>\$461,870,500</b>

If we include these projects, the total regional investment is more than \$1.3 billion. Even this figure, however, does not fully account for the money allocated for the Central City region (including \$30,113,880 for City Hall renovations).

<sup>8</sup> Except where noted, figures come from the CIP documents analyzed.

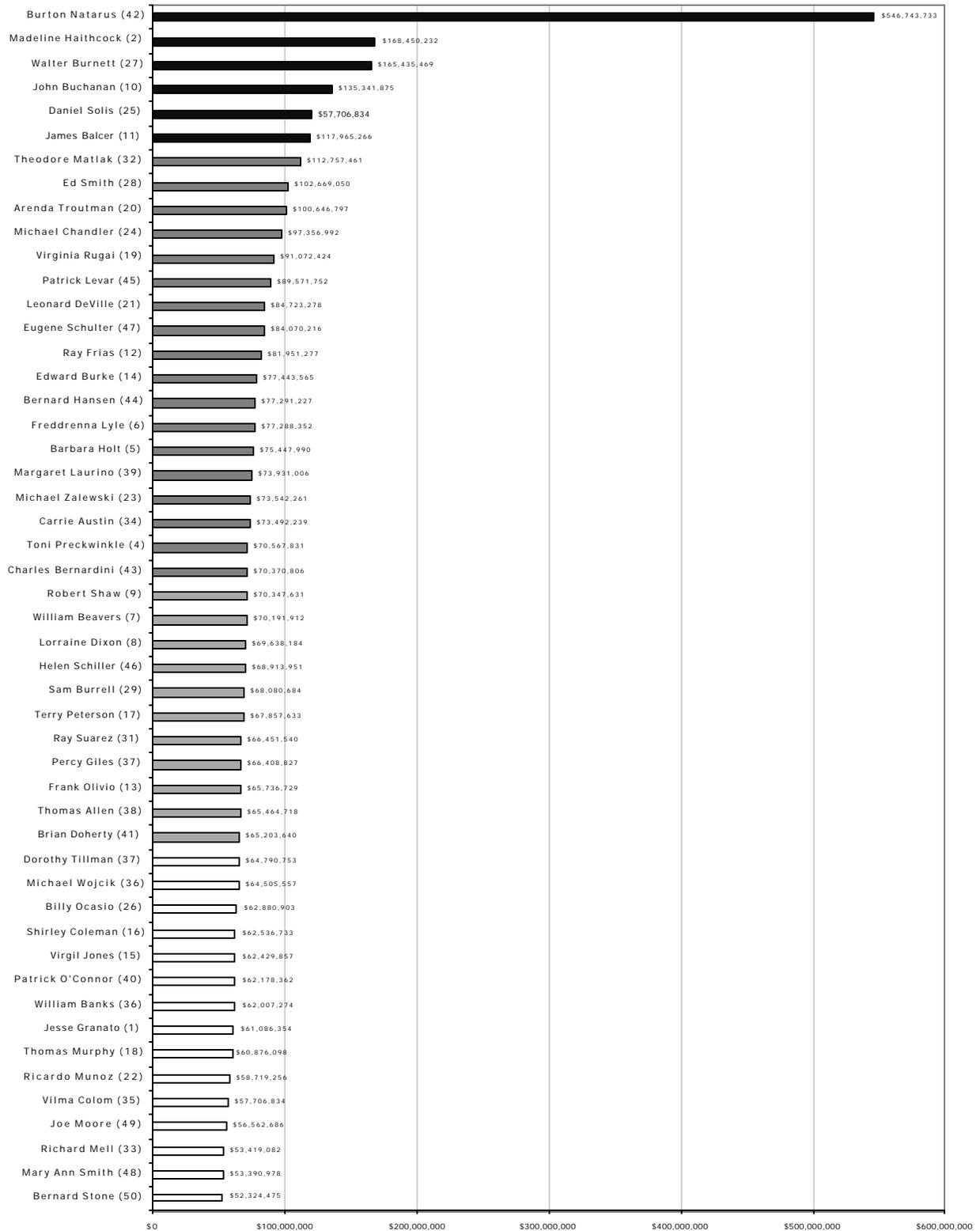
<sup>9</sup> This project is first reported in the 1998 Mid-Year Capital Construction Report with a total project cost of \$25,700,000. DPD says however, that the total project budget is \$150 million, to be funded through revenue bonds, and is expected to be complete by late summer or early fall of 2000. The project will develop a 16.5 acre site bounded by Randolph to the north, Monroe to the south, Columbus to the east and Michigan to the west. The lower level will house parking and transit facilities, while the upper level will contain a park and facilities for music festivals. Because the entire \$150 million is slated to be spent during the period under study, we have included the entire amount in our total, not just the portion contained in the construction report.

**Table IV: Ward-by-Ward Comparison of City Infrastructure Allocations, 1990-2002<sup>10</sup>**

Rank	Ward	Alderman	Ward Total	Rank	Ward	Alderman	Ward Total
1	42	Burton Natarus	\$546,743,733	26	7	William Beavers	\$70,191,912
2	2	Madeline Haihcock	\$168,450,232	27	8	Lorraine Dixon	\$69,638,184
3	27	Walter Burnett	\$165,435,469	28	46	Helen Schiller	\$68,913,951
4	10	John Buchanan	\$135,341,875	29	29	Sam Burrell	\$68,080,684
5	25	Daniel Solis	\$119,856,283	30	17	Terry Peterson	\$67,857,633
6	11	James Balcer	\$117,965,266	31	31	Ray Suarez	\$66,451,540
7	32	Theodore Matlak	\$112,757,461	32	37	Percy Giles	\$66,408,827
8	28	Ed Smith	\$102,669,050	33	13	Frank Olivio	\$65,736,729
9	20	Arenda Troutman	\$100,646,797	34	38	Thomas Allen	\$65,464,718
10	24	Michael Chandler	\$97,356,992	35	41	Brian Doherty	\$65,203,640
11	19	Virginia Rugai	\$91,072,424	36	37	Dorothy Tillman	\$64,790,753
12	45	Patrick Levar	\$89,571,752	37	36	Michael Wojcik	\$64,505,557
13	21	Leonard DeVille	\$84,723,278	38	26	Billy Ocasio	\$62,880,903
14	47	Eugene Schalter	\$84,070,216	39	16	Shirley Coleman	\$62,536,733
15	12	Ray Frias	\$81,951,277	40	15	Virgil Jones	\$62,429,857
16	14	Edward Burke	\$77,443,565	41	40	Patrick O'Connor	\$62,178,362
17	44	Bernard Hansen	\$77,291,227	42	36	William Banks	\$62,007,274
18	6	Freddrenna Lyle	\$77,288,352	43	1	Jesse Granato	\$61,086,354
19	5	Barbara Holt	\$75,447,990	44	18	Thomas Murphy	\$60,876,098
20	39	Margaret Laurino	\$73,931,006	45	22	Ricardo Muñoz	\$58,719,256
21	23	Michael Zalewski	\$73,542,261	46	35	Vilma Colom	\$57,706,834
22	34	Carrie Austin	\$73,492,239	47	49	Joe Moore	\$56,562,686
23	4	Toni Preckwinkle	\$70,567,831	48	33	Richard Mell	\$53,419,082
24	43	Charles Bernardini	\$70,370,806	49	48	Mary Ann Smith	\$53,390,978
25	9	Robert Shaw	\$70,347,631	50	50	Bernard Stone	\$52,324,475

<sup>10</sup> Excludes the City's bridge program.

**Figure II: Ward-by-Ward Rankings of Total Infrastructure Allocations, 1990-2002**



## Finding #2: The City is not meeting the basic infrastructure needs of its neighborhoods.

Simply looking at total capital allocations does not, however, tell the entire story. It is certainly true that different wards need different things, and that downtown – because of its density, traffic, and prominence – requires more intensive investment than other areas of the City. But the degree of the disparity between top and bottom is simply unacceptable by any measure. **The 42nd Ward receives over 10 times more planned investment than Bernard Stone’s 50th Ward, which ranks last on the list.** The 10 top-ranked wards received allocations totaling \$1,666,923,163 – 38 percent of the city-wide total – while the bottom-ranked 10 wards received \$577,891,404 – just 13 percent of the city-wide total.

A thorough analysis must also include some sort of benchmark to measure how much investment neighborhoods need to meet their “bare bones” infrastructure requirements. To accomplish this, we determined a set of basic infrastructure projects that all wards need just to keep neighborhoods running. We excluded industrial infrastructure and economic development programs because those needs vary from ward to ward. Municipal facilities such as police stations and libraries were also excluded from the analysis. But despite differences in geographic size, population density, and land use, there is a set of essential infrastructure features that occur in every ward (e.g., sewers, water mains, streets, alleys, sidewalks, and traffic signals). By estimating the average annual need of a “typical ward,” we can assess how well the City is doing in meeting the most basic needs of its neighborhoods. While this system is not perfect, local variations tend to even out and it is possible to get a snapshot of how much capital investment is necessary just to keep basic systems in place. NCBG checked its allocations of these infrastructure amounts against the City’s own needs assessment and inventory and found that our average ward need lined up very closely with the City’s own overall assessment.

NCBG used the **A** replacement cycle method, a common standard for calculating infrastructure costs, to determine how much investment a typical ward needs to maintain its existing infrastructure.<sup>11</sup> A replacement cycle is the amount of time that a piece of infrastructure will last before it needs to be replaced. For example, the City estimates that a sewer will wear out after about 100 years. So 100 years after a sewer is installed, you can expect that it will need to be replaced.

**Table V: Typical Ward Infrastructure Needs**

Asset Type	# of Miles/Blocks/Units		Repl. Cycle	Need/Year	Cost/Mile	\$ Need/Year
	Whole City	Typical Ward				
Sewer	4,600 mi.	92 mi.	100 years	.92 mi/yr	\$2,200,000	\$2,024,000
Water	4,200 mi.	84 mi.	100 years	.84 mi/yr	\$800,000	\$672,000
Arterial Streets	986 mi.	13 mi.	rehab 9 yrs	1.3 mi/yr	\$400,000	\$520,000
			recons. 28 yrs.	.12 mi/yr	\$2,400,000	\$288,000
Traffic Signals	2,575	51	30 yrs.	1.7/yr	\$150,000/ea	\$255,000
Residential Streets	2,470 mi.	49.4 mi.	rehab. 40 yrs.	.84 mi/yr	\$200,000	\$200,000
			recons. 120 yrs.	.40 mi/yr	\$920,000	\$368,000
Sidewalks						
arterial	1,720 mi.	20.9 mi.	35 yrs.	.6 mi/yr	\$70,175	\$42,105
residential	4,690 mi.	93.8 mi.	60 yrs.	1.6 mi/yr	\$70,175	\$112,280
Alley	1,900 mi.	38 mi.	125 yrs.	.3 mi/yr	\$600,000	\$180,000
Lighting	262,940	5,259	30 yrs.	175/yr	\$1,000/each	\$175,000
			<b>Total</b>			<b>\$4.8 million</b>

<sup>11</sup> The City published its own tables of replacement cycle need in the 1993-1997 Capital Improvement Program. NCBG assumed the City’s estimates were correct despite the fact that some experts believe these estimates of the durability of these systems to be overly optimistic. Where possible, unit costs were taken from the most recent estimates, distributed by the Office of Budget and Management at the 1998 Capital Budget Hearings, although the most recent figures often are expressed in ways that make them difficult to use for this analysis. In those cases, older cost estimates were used. Please see Appendix One for a discussion of other source documents and methodologies.

**Table VI: Ward-by-Ward Comparison of Basic Infrastructure Allocations, 1990-2002**

Rank	Ward	Alderman	Ward Total	Annual Share	Rank	Ward	Alderman	Ward Total	Annual Share
1	42	Burton Natarus	\$134,244,923	\$10,326,532	26	16	Shirley Coleman	\$39,098,645	\$3,007,588
2	10	John Buchanan	\$83,039,809	\$6,387,677	27	40	Patrick O'Connor	\$38,380,399	\$2,952,338
3	27	Walter Burnett	\$58,028,353	\$4,463,719	28	13	Frank Olivio	\$38,207,416	\$2,939,032
4	2	Madeline Haithcock	\$56,942,306	\$4,380,177	29	30	Michael Wojcik	\$37,613,536	\$2,893,348
5	19	Virginia Rugai	\$54,540,303	\$4,195,407	30	34	Carrie Austin	\$37,579,686	\$2,890,745
6	28	Ed Smith	\$49,622,573	\$3,817,121	31	21	Leonard DeVille	\$37,082,135	\$2,852,471
7	7	William Beavers	\$49,501,172	\$3,807,782	32	8	Lorraine Dixon	\$36,494,387	\$2,807,260
8	6	Freddrenna Lyle	\$48,518,462	\$3,732,189	33	3	Dorothy Tillman	\$36,334,783	\$2,794,983
9	14	Edward Burke	\$47,316,002	\$3,639,692	34	18	Thomas Murphy	\$36,070,775	\$2,774,675
10	41	Brian Doherty	\$46,733,437	\$3,594,879	35	31	Ray Suarez	\$35,823,087	\$2,755,622
11	20	Arenda Troutman	\$45,542,455	\$3,503,265	36	44	Bernard Hansen	\$35,581,057	\$2,737,004
12	4	Toni Preckwinkle	\$44,764,092	\$3,443,391	37	43	Charles Bernardini	\$35,146,379	\$2,703,567
13	45	Patrick Levar	\$43,795,786	\$3,368,906	38	26	Billy Ocasio	\$34,785,767	\$2,675,828
14	46	Helen Schiller	\$43,764,457	\$3,366,496	39	37	Percy Giles	\$34,699,185	\$2,669,168
15	5	Barbara Holt	\$43,448,792	\$3,342,214	40	25	Daniel Solis	\$34,521,430	\$2,655,494
16	36	William Banks	\$43,410,719	\$3,339,286	41	38	Thomas Allen	\$34,381,972	\$2,644,767
17	11	James Balcer	\$43,248,072	\$3,326,774	42	32	Theodore Matlak	\$34,368,994	\$2,643,768
18	23	Michael Zalewski	\$43,003,856	\$3,307,988	43	35	Vilma Colom	\$34,167,348	\$2,628,257
19	17	Terry Peterson	\$42,256,168	\$3,250,474	44	33	Richard Mell	\$33,759,508	\$2,596,885
20	9	Robert Shaw	\$41,474,051	\$3,190,311	45	50	Bernard Stone	\$33,458,076	\$2,573,698
21	12	Ray Frias	\$41,294,960	\$3,176,535	46	24	Michael Chandler	\$31,384,207	\$2,414,169
22	39	Margaret Laurino	\$40,385,462	\$3,106,574	47	1	Jesse Granato	\$30,892,980	\$2,376,383
23	47	Eugene Schalter	\$39,747,851	\$3,057,527	48	49	Joe Moore	\$30,576,744	\$2,352,057
24	29	Sam Burrell	\$39,465,581	\$3,035,813	49	48	Mary Ann Smith	\$28,852,632	\$2,219,433
25	15	Virgil Jones	\$39,343,381	\$3,026,413	50	22	Ricardo Muñoz	\$28,686,405	\$2,206,646

## Only five wards are getting enough money to meet their basic infrastructure needs.

Although the City is doing somewhat better than it has in the past at allocating sufficient funding for basic neighborhood infrastructure, the great majority of wards still are lagging behind when it comes to receiving this most fundamental type of funding. Our replacement cycle calculations estimate that each ward needs about \$4.8 million a year in basic infrastructure investment. NCBG acknowledges that this is not an exact figure, so in the interest of fairness, we will assume that wards getting at least \$4 million per year are at least within close striking distance of keeping up with their deteriorating infrastructures. Table VI shows a complete list of average basic infrastructure investment by ward.

*It is important to note, however, that the City is performing better in this category than it did in 1996 when NCBG last performed this type of analysis.*<sup>12</sup> At that time, each ward received on average approximately \$2.8 million per year. In our current analysis, that figure rises to \$3.3 million – a \$500,000 jump per year. While more still needs to be done, NCBG commends the City's efforts at improvement and hope that the levels of neighborhood investment will continue to climb.

## Securing the Future: Will the City make a sustained commitment to neighborhoods?

Some concern remains, however, about the City's commitment to future neighborhood infrastructure initiatives. One of the best indicators of commitment to a project is whether the City has earmarked a specific funding source or has chosen instead to list the funding as "to be determined." Based on NCBG's analysis, programs without a concrete funding source (such as a state or federal grant, or a general obligation bond) are the first to be delayed substantially or disappear altogether. In the 1998-2002 CIP, more than half of all neighborhood infrastructure programs have been left without a funding source:

**Table VII: Unfunded Neighborhood Infrastructure Projects, 1998-2002**

<b>SubProgram Name</b>	<b>Total Allocation</b>	<b>Funding TBD</b>	<b>%Unfunded</b>
Alley Construction	\$47,965,000	\$13,000,000	27 percent
Lighting	\$48,192,600	\$19,516,000	40 percent
New Street Construction	\$28,871,750	\$15,450,000	53 percent
Other Neighborhood Improvements	\$23,900,000	\$19,200,000	80 percent
Residential Street Resurfacing	\$120,620,000	\$87,000,000	72 percent
Sidewalk Construction	\$118,446,690	\$49,919,380	42 percent
<b>Totals</b>	<b>\$387,996,040</b>	<b>\$204,085,380</b>	<b>53 percent</b>

<sup>12</sup> Neighborhood Capital Budget Group, *Moving Beyond the Basics: Building Chicago for the Next Century*, January 1996.

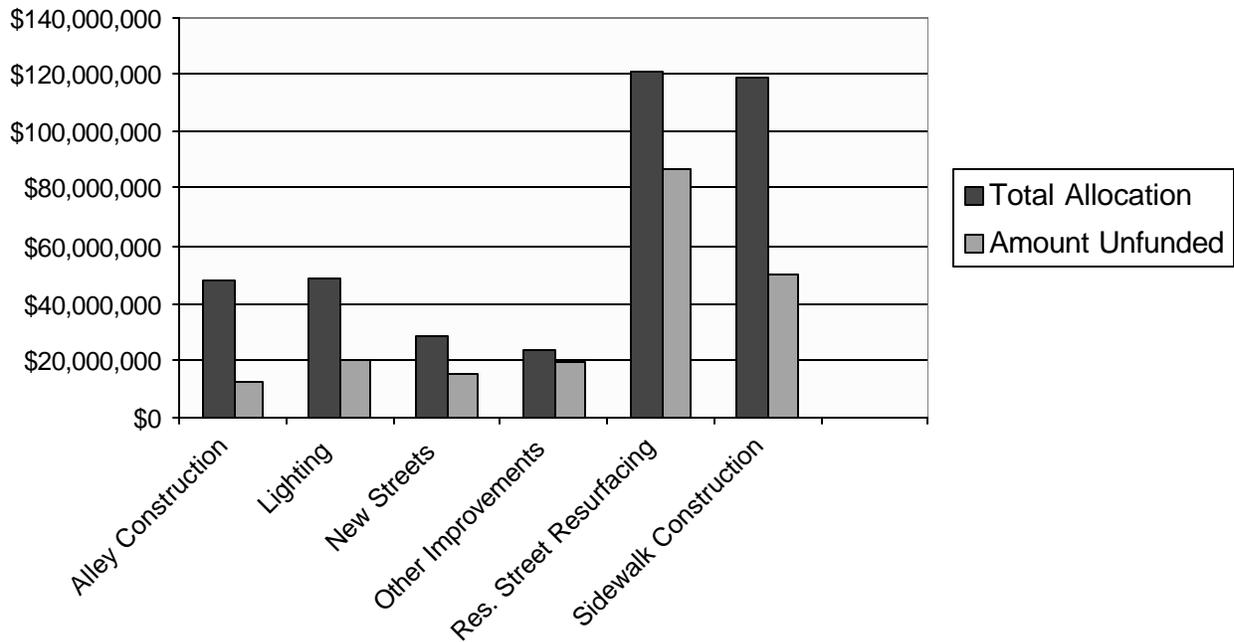
While it is reasonable to expect that the City will seek to develop additional funding for some future projects, this number raises concerns because fewer projects appear fully funded than in past years:

**Table VIII: Unfunded Neighborhood Infrastructure Projects, by CIP Year, 1995-1998**

CIP Year	Total Allocation	Amount Unfunded	% Unfunded
1998-2002	\$388,511,070	\$204,085,380	52 percent
1997-2001	\$392,627,575	\$176,106,000	44 percent
1996-2000	\$383,236,399	\$115,855,000	30 percent
1995-1999	\$344,500,664	\$80,208,650	23 percent

Without specified funding sources, NCBG is concerned about whether the City will follow through on the neighborhood infrastructure projects listed in the CIP, or whether they will fall by the wayside.

**Figure IV: Neighborhood Infrastructure Projects, Percent Unfunded, 1998-2002**



### **Finding #3: The City is not meeting the infrastructure needs of its industrial base.**

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Some still harbor the notion that Chicago's industrial base is in perpetual decline, the victim of shifting global economies, aggressive recruitment efforts by suburbs, and the general decay of the Midwest's so-called "Rust Belt" economies. To help evaluate this long-held "conventional wisdom," the Dept. of Planning and Development in March 1998 commissioned Arthur Andersen LLP's Real Estate Advisory Services Group to prepare a report on industrial opportunities in Chicago.<sup>13</sup>

The report found that urban areas such as Chicago still possess some distinct advantages when it comes to proximity to transportation, access to labor markets, and desirability of location. Provided that the City make a concerted effort to attract and retain industry – an effort that should include vital infrastructure improvements – the report predicts a bright future for Chicago industry. In fact, the Andersen report goes so far as to forecast potential increases in industrial property tax revenue of nearly \$220 million between 1998 and 2005, **as well as the creation or retention of 31,000 jobs**<sup>14</sup>:

Importantly, industrial development can be a major redevelopment tool for the City to use in restoring economic vitality to abandoned brownfield sites and blighted city neighborhoods. The assembly and cleanup of sites restores citizen and investor confidence in areas and **the attraction of expansion and new industry brings the most essential ingredient of area redevelopment – new jobs** [emphasis added]. Industrial redevelopment complements residential and retail development by providing an economic base for the latter and by allowing the revitalization of sites not appropriate for either retail or residential development.<sup>15</sup>

However, the report acknowledges that there are a number of barriers to industrial development, including **adequate industrial and arterial roads to serve truck traffic**. While Chicago has excellent access to Interstate highways and rail cargo depots, the Andersen study finds that many parts of the City lack adequate connecting roads. Of the five submarkets analyzed by the report, three of them (North, Northwest, and Southwest) are listed as having infrastructure-related barriers to development. Among the problems listed for these regions are inadequate viaduct clearances, turning radii that are too tight for many trucks, and insufficient off-street parking for industrial activities. The report's description of the North submarket is illustrative of the types of problems many of the City's industrial corridors face:

A key locational advantage of the North submarket is the Kennedy Expressway that runs roughly along the western boundary of the submarket. However, this proximity must be tempered somewhat by issues of access, which are common in older industrial areas. Truck access is inhibited in several locations by insufficient viaduct clearances. As a result, trucks are forced to take circuitous, sometimes confusing routes to and from the expressway.<sup>16</sup>

Some City actions actually tend to undermine the industrial sector. Large-scale beautification projects, such as the North Ashland Avenue median landscaping, resulted in the banning of truck traffic from this major arterial street, worsening the very issue of access to North Side industrial corridors that Andersen highlights. Also, the flurry of tax increment financing districts in some areas may be intensifying pressures for replacing industrial areas with new residential developments.

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<sup>13</sup> Arthur Andersen LLP Real Estate Services Advisory Group, *City of Chicago Industrial Market and Strategic Analysis*, March 1998.

<sup>14</sup> *Ibid.*, p. 25.

<sup>15</sup> *Ibid.*, p. 25.

<sup>16</sup> *Ibid.*, p. 30.

**The CIP contains inadequate funding for Chicago’s industrial corridors.**

Two subprograms – industrial street improvements and viaduct clearance improvements – contain the bulk of the funding targeted for industrial development and retention. However, as with neighborhood infrastructure projects, these vital initiatives are often left without concrete funding sources:

**Table IX: Unfunded Industrial Infrastructure Programs in 1998-2002 CIP**

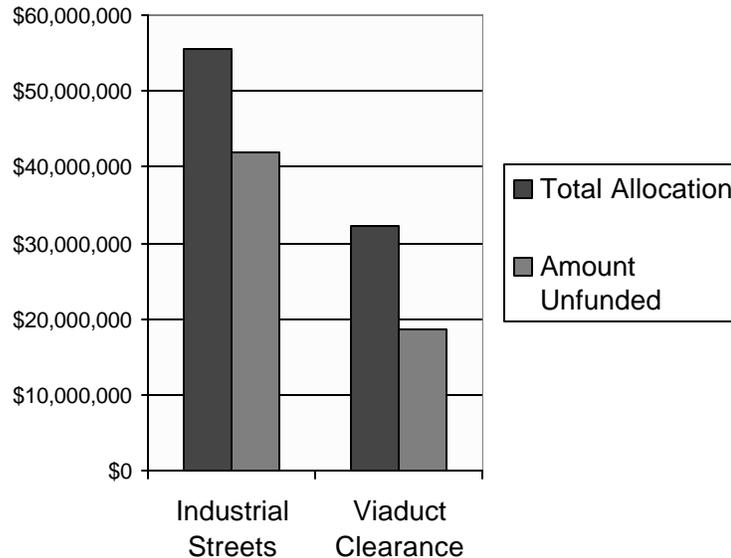
<b>Program Category</b>	<b>Total Allocation</b>	<b>Unfunded</b>	<b>%Unfunded</b>
Industrial Street Improvements	\$55,624,100	\$41,886,600	75 percent
Viaduct Clearance	\$32,242,181	\$18,471,700	57 percent

Like neighborhood infrastructure, it appears that the failure to fund industrial projects is getting worse over time:

**Table X: Unfunded Industrial Street Projects, by CIP Year, 1995-1998**

<b>CIP Year</b>	<b>Total Allocation</b>	<b>Amount Unfunded</b>	<b>% Unfunded</b>
1998-2002	\$55,624,100	\$41,886,600	75 percent
1997-2001	\$54,057,695	\$25,173,000	46 percent
1996-2000	\$46,722,245	\$20,128,000	43 percent
1995-1999	\$53,037,000	\$22,135,000	41 percent

**Figure V: Industrial Infrastructure, Percent Unfunded, 1998-2002**



As with neighborhood infrastructure projects, the problem of underfunding has become worse over time for industrial projects:

**Table XI: Unfunded Viaduct Clearance Projects, by CIP Year, 1995-1998**

CIP Year	Total Allocation	Amount	
		Unfunded	% Unfunded
1998-2002	\$32,242,181	\$18,471,700	57 percent
1997-2001	\$26,991,700	\$17,816,700	66 percent
1996-2000	\$20,597,000	\$5,970,000	29 percent
1995-1999	\$18,429,000	\$5,510,000	30 percent

The City may have other funding sources in mind for these projects (such as revenue from tax increment financing districts<sup>17</sup>), but they have not disclosed these plans anywhere in the CIP. Still, these figures do not answer the big-picture question: *Even if the City fully funds all its proposed industrial infrastructure programs, will that be enough to meet the needs of Chicago's industrial base?*

During the 13 years under study, the City has allocated a total of \$625 million for projects specific to industry:

**Table XII: Total Industrial Infrastructure Allocations, 1990-2002**

SubProgram Name	Original Allocation	Canceled/ Disappeared	Total Allocation
Industrial Streets	\$403,395,170	\$31,270,000	\$372,125,170
Viaduct Clearance	\$166,711,186	\$13,080,878	\$153,630,308
Industrial Development Initiative	\$40,480,519	\$0	\$40,480,519
Brownfields Redevelopment	\$58,311,900	\$0	\$58,311,900
<b>Total</b>	<b>\$668,898,775</b>	<b>\$44,350,878</b>	<b>\$624,547,897</b>

Expressed as an annual figure for the 13 years under study, that averages out to approximately \$48 million allocated per year for industrial infrastructure. But how can we put that figure into context?

<sup>17</sup> For a discussion of industrial funding in TIF districts, please see Finding #4.

## The City should perform a thorough assessment of industrial need.

Calculating the total industrial infrastructure need is a daunting task because neither the Dept. of Planning and Development or the Office of Budget and Management have surveyed industrial councils about their needs since 1995. At that time, DPD published a useful, albeit rather conservative, guide to industrial improvement needs.<sup>18</sup> That report has never been updated. Without a clear idea of what goals it hopes to accomplish, how can the City expect to properly allocate capital funds in a way that helps maintain Chicago's industrial base? The first step toward revitalizing Chicago's commitment to its industrial base is simply to ask them what they need and work with them on coming up with a coordinated plan to finance and complete those fundamental projects.

In the absence of a comprehensive assessment, we looked at several ways of putting the City's industrial allocations in context. Simply dividing up the industrial expenditures by ward is not a very useful calculation because some wards have few if any concentrated industrial areas. Instead, we looked at the average industrial infrastructure allocations for each of the 22 industrial corridors<sup>19</sup> designated by the City. According to that method, each of those 22 concentrated industrial areas receives an average allocation of just \$2,183,734 per year. Using the City's own "typical project cost" estimates, that would buy less than 1 mile of industrial street improvements or just under two viaduct clearance improvements.<sup>20</sup>

Even if you divide the industrial infrastructure allocations among the 12 Model Industrial Corridors<sup>21</sup> – those that have drafted strategic improvement plans – the figure only climbs to \$4,003,512. That would purchase roughly twice as many industrial improvements for these targeted areas, but would leave no money left over for other neighborhood industrial areas.

Another option is to compare the yearly allocations for industrial infrastructure to the amount allocated for median landscaping since this initiative took off in 1996. Since that time, money has been allocated for 30 median landscaping projects totaling \$132,748,700. ***In the six years between when the first median landscaping project began construction (1996) and the last one is scheduled to be completed (2001), the City has allocated \$22 million per year to this initiative - almost half of what is being allocated annually for all industrial infrastructure in the City.***

At best, median landscaping projects only have a cosmetic effect, and in some instances may be appropriate. But in other cases they are actually detrimental to both pedestrians and traffic. Some median planter boxes go for long stretches without breaks, making it difficult for those on foot to cross the street or for automobiles to make turns. Other projects, such as the median projects springing up along North Ashland Avenue, require narrowing lanes so much that it is impossible for truck traffic to pass. This problem is especially acute along Ashland, where trucks heading to and from the Ravenswood Industrial Corridor must find alternate routes because their major thoroughfare has been taken away.

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<sup>18</sup> Dept. of Planning and Development, Industrial Corridor Capital Investment 1995.

<sup>19</sup> The 22 industrial corridors designated by the City are: Addison, Armitage, Brighton Park, Burnside, Calumet, Elston/Armstrong, Greater Southwest, Harlem, Kennedy, Kinzie, Knox, North Branch, Northwest Corridor, Peterson, Pilsen, Pullman, Pulaski, Ravenswood, Roosevelt/Cicero, Stevenson, Stockyards, Western/Ogden.

<sup>20</sup> The City distributed a sheet of Atypical project costs at its 1998 Capital Improvement Program public hearings. According to these figures, 1 mile of industrial street improvements costs \$2,400,000 (\$300,000 per block \* 8 blocks/city mile), and viaduct clearance projects costs \$1,250,000 each.

<sup>21</sup> The 12 Model Industrial Corridors are: Addison, Burnside, Calumet, Greater Southwest, Kinzie, North Branch, Northwest Corridor, Pilsen, Pulaski, Ravenswood, Roosevelt/Cicero, and Western/Ogden. The Model Industrial Corridor was intended to facilitate strategic planning and coordinated infrastructure investment for these 12 industrial areas, although the program has subsequently lost its funding.

## **Finding #4: The use of tax increment financing is widening the gap between the Central City and Chicago's neighborhoods.**

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In the last three years, the Daley administration has pursued tax-increment financing (TIF) with an astonishing vigor, essentially designating it as the City's primary economic development strategy. In fact, 1998 saw the fastest expansion of TIFs in Chicago – both in terms of size and number – that the City has ever witnessed. Through December 1998, 19 new TIF districts have been approved by the City Council, representing \$825,503,665 of property value. That brings to 64 the total number of TIFs Chicago has put in place, *more than half of which (36) have been approved in the last three years.*

In short, TIFs are a tool that municipalities may use to foster economic growth by targeting new property tax revenue to a specific geographic region. They provide incentives – including infrastructure investments – designed to lure private developers into areas of the City that previously had been ignored, overlooked, or deemed to risky by investors. TIFs work by first freezing the amount of property tax revenues that the City, the school board, the park district, and other taxing bodies may receive during the 23-year life of the TIF. In other words, all new property tax revenue that arises during the life of the TIF district is re-invested in that district. In a successful TIF, property tax revenue increases as City-subsidized development takes place, turning unused or under-used land into productive property. Rather than increasing tax rates to raise money, the City takes advantage of these higher property values to increase property tax revenue. That money then may be reinvested in the TIF district to subsidize developers (through property acquisition, environmental cleanup, or financing assistance, for example), construct public works projects, and fund job training initiatives.<sup>22</sup>

TIFs are based on the premise that no new development would take place in the project area “but for” the intensive use of public funds. Municipalities must conduct eligibility studies to demonstrate that a proposed redevelopment area is “blighted,” or in danger of becoming blighted, and therefore is in dire need of the large-scale government intervention that TIFs can represent. What makes tax increment financing such an appealing tool for public officials is that it does not require them to raise taxes. But precisely because TIFs may appear to be such a politically palatable option on the surface, they are often overused and abused by the municipalities that employ them. If the standards for qualifying a TIF district are bent in order to usher in a borderline project, the consequences for other taxing bodies, neighborhoods, and businesses may be severe. Establishing TIF projects in areas that would experience new development in the absence of any special assistance robs money from other parts of the city and the County in need of public funds. In these instances, TIFs divert money back into already-healthy areas and away from neighborhoods that need an infusion of public funds.

NCBG's research has uncovered a distressing fact about the City of Chicago's TIF program: The bulk of the City's TIF dollars are going to the very same parts of the City that already receive the highest levels of traditional public investment. Far from reducing the disparities between the richer and poorer parts of the City, TIFs are actually widening the gap between the Central City and Chicago's neighborhoods. There is already evidence that Chicago has placed much of its most coveted real estate – particularly property in and around the Loop – under TIF designation. ***The seven TIFs that fall into this category - Central Loop, Near North, Near West, Near South, River South, Michigan/Cermak, and Calumet/Cermak - represent 51 percent of the equalized assessed property value currently under TIF designation in Chicago.***<sup>23</sup> If, as many contend, these are areas that would have boomed without a TIF, then substantial revenue is being lost to the City's general fund. Without a TIF, that new tax revenue would go to the City's general fund for use throughout the City. With a TIF, that revenue may only be spent inside the boundaries of the already-prospering TIF.

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<sup>22</sup> For a more complete explanation of how TIFs work, please see Appendix Four. There are other eligible uses of TIF funds besides those cited.

<sup>23</sup> These seven TIFs represent \$1,237,404,807 worth of initial equalized assessed property value (EAV), according to the individual reports on each TIF district issued by the Dept. of Planning and Development on June 30, 1998. The total EAV under TIF designation for the 64 TIFs approved as of December 1998 is \$2,405,976,713. The total 1997 city-wide EAV, according to the Cook County Clerk's office, is \$33,349,557,227.

## The City relies on TIFs as a major source of infrastructure funds.

Historically, and even today, the Dept. of Planning and Development provides the public with the bare minimum of information when it comes to TIFs. Consequently, it is difficult to derive a comprehensive and accurate figure for the amount of infrastructure investment that is expected to be paid for with TIF dollars. The redevelopment plan for each TIF district does, however, contain an estimated project budget that gives a "ballpark" figure for how much infrastructure investment the City's 64 current TIFs could generate. Of the \$3,035,064,967 total budget for these 64 TIF projects, \$1,062,556,000 is slated for public works projects.

In part because many TIFs have been established since the 1998 CIP was written, only \$228,050,157 can be accounted for by analyzing the available Capital Improvement Program documents. By examining the CIPs, we can isolate 31 projects that have been funded with TIF revenues. Keep in mind that these projects are only those documented in the CIPs. It is possible that other infrastructure projects have been funded with TIF dollars and never appeared in the CIP. *The City's June 30, 1998, TIF annual report does not detail infrastructure expenditures in each project area.*

**Table XIII: CIP Projects Funded With TIF Revenue, 1990-2002**

Year	Project Name	SubProgram	Project Cost	Ward
1998	Lower Wacker Dock Wall Removal	Bridge Improvements	\$1,500,000	42
1998	Normal, 40th to 47th	Industrial Street Improvements	\$1,500,000	11
1998	Stockyards North Quadrant	Industrial Street Improvements	\$3,700,000	11
1998	Loop Alley Lighting	Lighting	\$100,000	42
1998	Van Buren, Wabash to Wells Orn. Lighting	Lighting	\$2,265,583	42
1998	LaSalle, Wacker to Jackson Orn. Lighting	Lighting	\$99,000	42
1997	Michigan Ave., Randolph to Congress	Lighting	\$7,000,000	42
1998	Lake St., Michigan to Wacker Dr.	Lighting	\$5,069,000	42
1998	Randolph, Wacker to Michigan, Lighting	Lighting	\$585,000	42
1998	Randolph, Wacker to Michigan, Lighting	Lighting	\$7,000,000	42
1997	Wabash Roadway Improvements	Major Street Improvements	\$100,000	42
1998	38th Ward Yard	Municipal Operating Facilities	\$1,100,000	38
1992	North Loop Development, 190 N. Dearborn	Other Development Projects	\$6,000,000	42
1992	Chinatown Square TIF District - Phase I	Other Development Projects	\$3,755,804	25
1996	State St., Wacker To Congress	Other Development Projects	\$10,553,400	42
1998	Central Loop -- Park Improvements	Other Development Projects	\$2,000,000	42
1998	Central Loop, Acquisition/Demolition	Other Development Projects	\$12,501,000	42
1998	Homan Square Infrastructure Phase IV	Other Development Projects	\$1,400,000	24
1998	New Police Station - 18th District	Police	\$10,400,000	32
1998	New Police Station - District 1	Police	\$24,258,006	2
1998	New Police Station - District 1	Police	\$6,241,994	2
1996	Halsted, Madison to Van Buren	Streetscaping	\$700,000	27
1996	Randolph, Kennedy Expwy to Ogden	Streetscaping	\$781,000	27
1996	LaSalle, Wacker to Washington	Streetscaping	\$94,000	42
1995	Washington at Morgan	Traffic Signals	\$125,000	27
1996	Washington at Sangamon	Traffic Signals	\$243,600	27
1995	State St. at 14th St.	Traffic Signals	\$117,770	2
1997	Randolph/Washington Station	Transit	\$13,500,000	42
1996	Dearborn Subway - Lake/Wells	Transit	\$1,200,000	42
1998	Misc. Transit Projects - Central Loop	Transit	\$24,000,000	42
1998	Normal at 40th St. - Vertical Clearance	Viaduct Clearance Improvements	\$500,000	11

From this project list, we can see that the majority of TIF money is not going to the fundamental infrastructure needs detailed in the

redevelopment plans. Basic neighborhood and industrial infrastructure programs generally rank fairly low on the list:

**Table XIV: TIF Infrastructure Allocations in Capital Improvement Program, By SubProgram, 1990-2002**

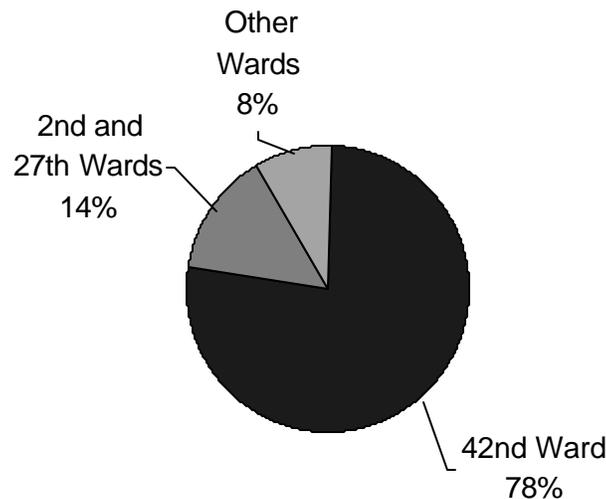
<u>SubProgram Name</u>	<u>Program Name</u>	<u>Total Investment</u>
Other Development Projects	Economic Development	\$115,870,204
Police	Municipal Facilities	\$40,900,000
Transit	Transportation	\$38,700,000
Lighting	Neighborhood Infrastructure	\$22,118,583
Industrial Street Improvements	Economic Development	\$5,200,000
Streetscaping	Economic Development	\$1,575,000
Bridge Improvements	Transportation	\$1,500,000
Municipal Operating Facilities	Municipal Facilities	\$1,100,000
Viaduct Clearance Improvements	Economic Development	\$500,000
Traffic Signals	Transportation	\$486,370
Major Street Improvements	Transportation	\$100,000

**The Central City is receiving most of the TIF infrastructure dollars.**

Even more importantly than how TIF money is being allocated, however, is which parts of the City are receiving the bulk of the TIF investment. As with traditional sources of public funds, the vast majority of TIF infrastructure investment documented in the CIPs is going to the Central City area. The bulk of TIF infrastructure investment is in the most questionable redevelopment areas – those where there is the most doubt about whether TIFs are necessary. The three Central City Wards (2,27, and 42) represent \$208,100,584 in TIF infrastructure allocations – a remarkable 91 percent of the total. ***The 42nd Ward by itself accounts for 78 percent of the total TIF-funded infrastructure investments.*** These figures indicate that in practice, the use of TIF funds is widening the gap between the haves and the have-nots.

The above figure clearly demonstrates that the Central City, particularly the 42<sup>nd</sup> Ward, is the

**Figure VI: TIF Infrastructure Spending by Ward, 1990-2002**



The above figure clearly demonstrates that the Central City, particularly the 42<sup>nd</sup> Ward, is the primary beneficiary of TIF infrastructure allocations. This money is allocated to just a handful of TIF districts:

**Table XV: TIF Infrastructure Allocations by Ward, 1990-2002**

Ward	Alderman	TIFs	TIF Investment	Other CIP Investment
42	Burton Natarus	Central Loop, Near South, Calumet/Cermak, Mich./Cermak	\$177,482,787	\$370,760,946
2	Madeline Haitcock	Western/Ogden, Mich./Cermak Roosevelt/Canal	\$30,617,770	\$137,832,463
32	Theodore Matlak	Goose Island TIFs (3)	\$10,400,000	\$102,357,461
11	James Balcer	Stockyards (3)	\$5,900,000	\$112,065,267
24	Michael Chandler	Roosevelt/Cicero, Roosevelt/Homan	\$1,400,000	\$95,656,993
27	Walter Burnett	Near West, Near North Kinzie	\$1,149,600	\$164,285,870
38	Thomas Allen	Read/Dunning	\$1,100,000	\$64,364,719
37	Percy Giles	North/Cicero Laramie/Bloomingdale	\$1,000,000	\$65,408,827

The TIF-generated revenue going to Central City improvements has resulted in large part from bond issues that “jump started” development. But for TIFs in distressed, low-income and industrial areas, the City has not agreed to issue bonds. These newer “pay-as-you-go” TIFs are much less reliable, as sources of readily available funds for infrastructure or other investments. It will take much longer to get needed infrastructure repairs under the “pay-as-you-go” approach. If the City plans to wait for a TIF district to generate new revenue before funds are available for public works projects, then it will take much longer for the area to get needed infrastructure repairs. The fact that such a large percentage of industrial infrastructure projects are unfunded raises concern about the City’s potential over-reliance on TIFs to fill this funding gap.

**TIF investments should ultimately produce jobs for local residents.**

The challenge for City officials is turning TIF investments – particularly those in industrial areas – into good-paying jobs for Chicago residents. The redevelopment plans for most industrial TIF districts acknowledge the preeminence of the jobs question by including money for job training as part of the TIF project budget. For the 31 TIF districts that have at least some industrial land within their boundaries, \$86.21 million has been budgeted for job training over the lifetime of the TIFs. More than 80 percent of that (\$71.8 million) has come in the project budgets of the nine industrial TIFs created in 1998 (Kinzie, North Branch-South, Northwest Industrial, Pilsen, Portage Park, Roosevelt/Cicero, Stony Island Commercial/Burnham Industrial, West Pullman and Western/Ogden). The Kinzie, Pilsen, and Northwest Industrial TIFs among them account for \$42 million of that total. The increased commitment to job training in these newer TIF districts came as a direct result of heightened public scrutiny of the TIFs. In other words, the public demanded that TIFs include direct benefits for Chicago residents, and to a large extent, the City complied.

Winning the inclusion of substantial job training funds in the TIF project budgets was a significant victory, but it is only a first step. The public needs to remain at the table in order to ensure that this budgeted money turns into a reality. Ongoing public involvement will also ensure that any job-training programs are well-designed, with an aim toward bringing permanent, living-wage jobs to Chicago residents.

## Recommendations for Action

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A more equitable and open capital planning process would ultimately benefit the City as a whole. Chicago, it has often been said, is a City of Neighborhoods, and great neighborhoods at that. But unless the City makes a real and sustained commitment to strengthening these neighborhoods, there is no assurance that they will continue to be great. Perhaps even more urgent is the need to help Chicago's most distressed neighborhoods – those that suffer from chronic under-investment, endemic poverty, persistent unemployment, and crumbling infrastructure – turn themselves around. The only way to reach these goals is by setting clear priorities and providing the community with straightforward information. What follows are NCBG's recommendations to ensure that neighborhoods get a fair share of the pie:

- **Prioritize neighborhood projects in the 1999 General Obligation Bond issue.** The \$260 million bond issue the City passed for Fiscal Year 1999 is certainly good news for Chicago's neighborhoods, but it does not tell the whole story. The revenues from that bond – as with any future borrowing – should be used to fully fund and prioritize infrastructure projects that will benefit Chicago's neighborhoods. The 1999 bond issue included substantial funding for neighborhood infrastructure, though it remains to be seen as of this writing exactly which projects will receive the funding. In his October 14, 1998, budget address, Mayor Daley committed to allocate \$102 million for residential infrastructure (including residential street resurfacing, curb and gutter replacement, and lighting), \$79.6 million for economic development (including industrial streets, streetscaping, medians, and viaducts), \$37.8 million in arterial street and bridge improvements, and \$41 million for municipal facilities including police stations, health centers, and senior citizen centers. The size of the bond issue is encouraging, but it's important to keep the number in perspective. *Even if all the money goes to neighborhood improvements, half the unfunded neighborhood projects in the 1998-2002 CIP will remain unfunded.* Future general obligation bond funds should focus on closing that gap.

**NCBG believes that the public should withhold final judgment on any bond issue until the City discloses a full list of specific projects that will be funded with those monies.** The promise that \$260 million is planned for Chicago's "neighborhoods" in the 1999 bond issue can be misleading. For example, millions of dollars of the 1998 General Obligation Bond went to investments in the 42<sup>nd</sup> Ward that increased the gap between downtown and the neighborhoods, not reduced it. The 1998 G.O. Bond includes \$975,000 in allocations for median landscaping projects in the 42<sup>nd</sup> Ward that serve only a cosmetic purpose. That same bond issue also includes \$11,710,971 in allocations for downtown lighting projects, technically a "neighborhood" improvement because lighting falls under the "neighborhood infrastructure" category of the CIP. *If future bond issues follow the same pattern, then the positive impact on Chicago's neighborhoods is seriously undermined.* The only way to hold the City accountable is through a detailed list – available no later than Feb. 1 of each year -- of the projects slated to receive bond money, and an end-of-year report on how it was actually spent. Finally, the best way to effectively prioritize projects is by listening to the recommendations of community, business, and industrial organizations about what investments they need to expand Chicago's job base and improve quality of life in our neighborhoods. The concerns raised during the annual Capital Improvement Hearings are a good start, but the City must not close its ears to other community needs that citizens bring to their attention.

- **Develop and disclose a long-term plan for funding neighborhood infrastructure needs, even if that means scaling back some of the investment in the Central City.** Although bonds provide an important source of revenues for capital projects, the City should aggressively pursue creative financing techniques that do not rely on public debt. One such practice is a "Rainy Day Fund" that would put away a small portion of City revenues for future infrastructure projects. Such a fund would have a number of benefits. For one, the money could earn interest and actually increase its working power. Another benefit is that a rainy day fund helps cushion the blow when the economy slows down. Even in bad economic times, the City would have available cash to jump start economic growth and job creation with ongoing infrastructure investment.

A rainy day fund is not just a pie-in-the-sky idea with no grounding in practical reality. At the state level, 45 states have implemented some sort of rainy day fund, and their experience could certainly be applied to large municipalities such as Chicago (John E. Peterson, "Don't Forget Your Umbrella," *Governing*, October 1998, p70). In Illinois, the idea has captured support from a diverse array of current and former public officials including Dawn Clark Netsch and State Comptroller Loleta Didrickson. Didrickson, in a letter to *Governing* magazine, wrote, "I strongly agree that this [the idea of a rainy day fund] is a significant fiscal issue. We recently convened a panel of fiscal experts from across the United States who concurred that enacting a rainy day fund is a conservative approach to managing state finances that would protect the state from economic ups and downs and result in a higher bond rating." (Loleta Didrickson, "Umbrella Shopping," *Governing*, December 1998, p10).

- **The City needs to accelerate implementation of neighborhoods' Model Industrial Corridor plans, and assess the infrastructure needs of other neighborhood industrial corridors.** The City needs to follow the advice given by its own consultants in the Arthur Andersen assessment: act now to retain and expand the industrial base or risk missing out on major opportunities to spur economic growth and create jobs. The good news in the bond issue is that there is enough money included to fully fund all the currently unfunded industrial street and viaduct projects. The City should fully fund all of those projects in the 1999-2002 CIP. But those projects don't represent all the projects that industry needs to effectively attract and retain businesses and jobs in Chicago. Currently, 12 of the City's 22 recognized industrial corridors have been included in a "Model Industrial Corridor" initiative that includes a strategic analysis of infrastructure needs in the context of retaining and expanding local manufacturing and attracting new companies and jobs to the City. Many of the projects listed in these strategic plans are not in the CIP at all. The City's next step is to prioritize and fully fund these projects while at the same time completing a thorough assessment of the other 10 industrial corridors. In other words, the City should continue to look for new opportunities to expand industry and create more jobs. Finally, the City should expand the number of "Planned Manufacturing Districts" PMDs insulate neighborhood industrial corridors from the pressures to convert industrial structures into residential units. More PMDs would demonstrate the real commitment to industry necessary to attract new businesses to Chicago and retain existing ones.
- **Institute community oversight committees to help prioritize TIF spending on neighborhood infrastructure improvements and job creation for local residents.** While TIFs have been an effective tool for accelerating investment downtown, so far they have yet to function as effectively in Chicago's neighborhoods. TIFs may be left in place for up to 23 years, so many important budgeting decisions are made throughout the life of a TIF district. How TIFs are administered over the long term is critical to neighborhoods' – and the City's – future. The residents and businesses located within the TIF district are a powerful resource that the City has yet to tap. These community members know more about what their neighborhood needs than anyone else, and they should serve as an important voice when it comes to making wise decisions about how public tax dollars are spent.

An effective community oversight committee would include representatives of all sectors of the affected community. The committee must have the power and information to review and approve not only the original redevelopment plan, but also any amendments or redevelopment agreements (contracts for specific projects between the City and a private developer). If the community oversight committee votes against a redevelopment plan, the City Council should be required to approve it by a two-thirds majority. The community panel would also have input into how the City spends the TIF infrastructure budget, and would be in charge of conducting annual public hearings that detail the progress the TIF has made. An effective community body would ultimately benefit both the community and the City by energizing the redevelopment project and bringing about real growth and vitality. The City should regard such committees as a key ingredient for success. Community oversight committees are necessary to ensure that local residents and businesses benefit from TIFs through real economic opportunity and jobs for local residents.

- **Institute an annual capital budget that reflects and implements the community's priorities.** Such a budget would help eliminate the City's historic tendency to shift infrastructure priorities. The City's capital program must undergo rigorous scrutiny and be subject to real public accountability. A capital budget would have to be approved by the City Council, as would any major amendments or changes to that plan. This would give aldermen and the public a way to monitor and assess the City's progress, and it would also make the setting of public works spending priorities a matter for public debate.

## Appendix One: Report Methodology

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NCBG's 13-year analysis of the City's capital investment priorities is the result of gathering, combining and sifting through a variety of public documents in order to piece together a paper trail of where and how the City planned to allocate its money. Every research effort contains a number of judgment calls. These are the ones we made, included here so that readers will be able to retrace our steps and put our findings in context. The following documents were used:

City of Chicago Capital Improvement Program 1990-1994	1992 Mid-Year and Year-End Construction Status Reports
City of Chicago Capital Improvement Program 1992-1996	1993 Mid-Year and Year-End Construction Status Reports
City of Chicago Capital Improvement Program 1993-1997	1994 Year-End Construction Status Report
City of Chicago Capital Improvement Program 1994-1998	1998 Mid-Year Construction Status Report
City of Chicago Capital Improvement Program 1995-1999	
City of Chicago Capital Improvement Program 1996-2000	
City of Chicago Capital Improvement Program 1997-2001	
City of Chicago Capital Improvement Program 1998-2002	

*(There was no CIP in 1991, though many of the projects appear in the 1992 Construction Report.)*

**The Database:** NCBG's CIP database includes 6,070 individual entries for 3,126 separate projects, compiled over nearly five years. One of the biggest obstacles to analyzing the City's capital investments over the long term is the over-lapping nature of the CIPs. Each CIP covers a five-year period, with many projects included in multiple documents. The documents are not cumulative, so one cannot simply add each one together. The advantage to creating our own database was that as a given CIP superseded a previous CIP, we could account for projects that no longer appeared, projects that were carried over from previous CIPs, and projects that were new. Our analysis only counts the last time a project appeared in the CIP, with its accompanying cost and dates. Thus, NCBG has measure the "net new capital investment" planned by the City during the 13-year period described.

Another major obstacle to analyzing long-term investment is the City's propensity to lump some kind of projects together as "ongoing" programs. Prior to the 1998-2002 CIP, the documents would list only a single, five-year sum for some projects' total cost. Because work occurred on these projects every year, and new money was injected into the program as older funding sources ran out, the projects listed no completion date. The database allowed us to separate out each years' expenditures while deferring future expenditures to a later time, eliminating double-counting of funds while ensuring that dollars that were actually allocated have been accounted for. To its credit, the Office of Budget and Management eliminated these "ongoing" entries in the 1998-2002 CIP, making it easier for the general public to see the yearly expenditures for these types of programs. Now, OBM reports the planned yearly allocations for each year.

**Limitations on Tracking Actual Expenditures:** It should be noted that although the CIP has a "previous years expended" column for each project, it is inconsistently used. The inconsistency arises from the City using this column both for "encumbrances" and for "expenditures." Encumbrances are funds that have been committed to a specific contractor for work already done or soon to be accomplished. Expenditures are actual dollars given to a contractor. Sometimes the CIP will show an encumbrance one year, only to have it change or disappear the next, rendering it unreliable as a report of expenditures. At best, it only provides information on projects that take more than one year to construct.

It is possible to partially remedy the expenditure reporting problem by analyzing the periodic Construction Status Reports produced by the Office of Budget and Management. OBM produced these reports in 1992, 1993, 1994, and again in 1998. NCBG is pleased to see the return of the Construction Report, and we hope that it will continue to be published on a regular basis. The Construction Report contains information on projects on which there has been some construction activity, including revised cost estimates and timelines. For the four years for which we had access to these reports, we adjusted the CIP's total cost estimates to reflect the changes in the Construction Report. We also included in our analysis those projects that appear only in the Construction Reports, and eliminated those projects that were listed as "canceled." While the construction reports are a valuable tool, they are far from a true record of actual capital expenditures. Moreover, for those projects where there are several sites listed under a single CIP number, they do not list cost or construction information for each individual project. Furthermore, for

projects for which construction spans several years, the reports do not provide records of yearly expenditures. They only list adjustments to the total project costs. Still, the reports were useful in refining our estimates of project costs.

As was noted several times in the body of this paper, *the figures in this report do not represent actual expenditures, but planned capital allocations*. The City of Chicago does not issue an end-of-year capital expenditures report. This would be the best tool for evaluating the City's capital planning and project implementation. An annual capital budget, combined with an annual capital expenditures report, would enable both City government and the public to identify areas in need of improvement and evaluate actual spending patterns. However, planned allocations provide a reasonably good measure of the City's priorities, and the database allows us to adjust final figures for projects that disappear completely.

A word on disappearing projects: we compared each CIP to the year immediately prior, and attempted to account for each project listed. If a project is listed in one year's CIP but not the next, we had to decide if it was more likely that the project was completed or the project had been dropped. In the absence of any direct information on the project's status, we looked at two main factors: funding sources and construction schedule. If a project is listed in the 1997 CIP but not the 1998 CIP, for example, we would first look at the funding source. If the funding was listed as "to be determined" and no money was listed in the "first year allocation" column, then we made the initial assumption that the project had been dropped. We then verified that assumption with the construction timetable. If the construction start date did not fall within the first year covered by the CIP, then we considered the project abandoned. If it had an earlier construction date, then we gave the City the benefit of the doubt and assumed that it had been completed. Over the period analyzed, 110 projects fell into this category. Most of which were confirmed as "canceled" in one of the construction reports. Twenty-one of them were relatively small dollar amounts (\$250,000 or less), while 65 of them were less than \$1 million. *Whenever plausible, we gave the City the benefit of the doubt and assumed the project had been completed.*

**Determining Local Impact:** In order to assess the impact of Chicago's capital investment program on individual wards, we plotted each project on a map of the City's 50 wards. In attempting to determine local impact, however, we had to account for those projects that affected multiple wards, or had a larger "city-wide" impact. "Impact" was defined as dollars worth of investment. Local impact was defined as having an area of effect not greater than a few wards, depending on the size and nature of the project. We used wards as our geographic basis because they are the only division of the City that has a comparable basis (in this case, population). Community Areas, census tracts, and other informal neighborhood divisions are greatly varied in both population and size. Wards, at least, represent approximately equal populations.

The City does not provide the general public with any breakdown of capital projects by ward. The only exception was a draft CIP in 1990. The City's method of dividing the CIP into geographic areas is to use the Dept. of Planning and Development's seven neighborhood planning districts (found in the back of each year's CIP). It helps to break down the scope of the CIP to an approximate geographical area. However, when a project falls in more than one region, the City lists the project in each of those regions along with the full cost. Although the City does not disclose its "double-counting" of investment dollars, this practice renders the regional section of the CIP useless for determining the amount of investment in a particular region. It may only be used to see which projects are planned for the area.

To analyze the CIP by ward, NCBG projected each project on a ward map and determined what proportion of each project fell in each ward. This "geo-coding" allowed us the fairest and most accurate attribution of dollar amounts to the wards. Again, the construction report was very helpful in providing specific locations for projects that had no such locations listed in the CIP. For example, the 1998-2002 CIP provided no sites for CIP#306000047 (Reconstruct and Repair Vaulted Sidewalks), but the Construction Report provided more than 20 pages of locations. Each of those projects was assigned to a ward, then the total project cost was divided proportionately among them.

We adhered to the following procedures in attributing costs to wards:

Viaducts, Intersection Improvements, Traffic Signals: If these projects were located between two wards, we gave 50 percent to each. If not, 100 percent went to a single ward.

Bridges: Although bridges are part of the core infrastructure in many wards, they are unevenly distributed throughout the City. Using bridges in the ward-by-ward analysis would attribute large amounts of money to wards which just happen to be next to a waterway. Furthermore, bridges

tend to have a predominately city-wide effect by connecting various neighborhoods and facilitating transportation throughout the City. Finally, the size and scope of major bridge projects, together with the long time span between replacements, makes bridges closer to a “city-wide” or “mega-project” (see below) than an ordinary capital expense. Bridges, therefore, were not included in the ward-by-ward rankings. If you are interested in seeing how including the bridge program affects the ward-by-ward rankings, please see Appendix Two.

Major Streets, Industrial Streets, Streetscaping, and Sewer: All of these projects have a “start” and an “end” point in their location description. If a project fell in one or more wards, the cost for each ward would be proportional to the amount falling in the ward. If a project fell exactly between two wards (i.e., if the street was a ward boundary), then we attributed 50 percent to each. If the ward boundary was shared by three or more wards, we apportioned by the area bordering the project.

Municipal Facilities and Transit Stations: Although fire stations, police stations, libraries, senior centers, health facilities, human services centers and transit facilities often serve more than one ward, or “catchment area,” it is not possible to quantify this impact by any fair and accurate method. These projects were attributed to the wards in which the facilities were located. If a project was on the border of two wards, 50 percent was attributed to each one. For municipal operating facilities other than Streets and Sanitation ward yards, projects were treated as having a “city-wide” impact.

Ward Impact, Multiple Locations: A major obstacle to analyzing the CIP by ward is the presence of projects with a multiple ward impact. These are projects which have one or more non-contiguous locations in other wards. For example, the CIP lists several fire station projects which make improvements to windows and roofs at fire houses throughout the City. These improvements have a local impact, but because they are aggregated into a single CIP line item, it is problematic to apportion costs to all wards.

There are two kinds of these multiple location projects in the CIP. First, there are projects for which the City provides an exhibit listing all the sites covered by the project. These are relatively easy to deal with. We simply geo-coded each site and then divided the total cost proportionally (by the number of projects) among the affected wards. While this method does not account for the different distances covered by each project, the relatively small size and cost of each location minimizes any skewing effect on the overall analysis.

Secondly, there are projects for which the City does not provide a list of locations. For the projects where no location list was made available to the public, we made a “Ward Impact – Multiple Location” category. We apportioned this pot of money – over \$1.4 billion – equally among all 50 wards. We then added this figure to the total ward amount. While this approach may not be accurate for individual wards, it does give the City the benefit of the doubt by assuming equitable spending among wards.

Finally, we also attributed each program eligible under the Aldermanic Menu Program equally to each ward. Under the program, each ward receives \$1 million that may be spent on a “menu” of neighborhood improvements at the alderman's discretion. *Whether each alderman actually spends his or her yearly allocation remains unknown due to shortcomings in the City's disclosure of data: (a) the neighborhood improvements recommended by each alderman are not specifically identified by ward, and (b) the City does not disclose actual expenditures by Ward of aldermanic menu program dollars.*

City-wide, Regional, and “Mega-Projects:” Some projects have such a large-scale impact, or are so obviously regional or city-wide in function, that they could not be attributed to ward locations. Projects such as repairs to Lake Shore Drive and the Chicago Skyway, shoreline protection programs, water purification plants, many municipal facilities and city office buildings, and major fire and police projects qualify as “city-wide” in nature. We also created a list of “mega-projects” that are of a size and scope so large that they are not likely to be replaced or replicated in the next several decades. A complete list of mega-projects is available in Appendix Three.

**Basic Infrastructure Analysis:** The Basic Infrastructure Components were determined by assessing the relative distribution of infrastructure throughout Chicago and its importance to daily community life. Below is the rationale for determining which infrastructure components NCBG included (and excluded) when defining the Basic Infrastructure category. In general, unevenly distributed capital assets or projects which are not part of the existing infrastructure and replacement cycle were not included.

Included in the definition of Basic Infrastructure are:

**Neighborhood Infrastructure:** Every ward is served by streets, sidewalks, alleys, street lights, curbs, and gutters. They are used by every citizen on a daily basis just to travel efficiently and safely throughout their neighborhood.

**Transportation:** Because of Chicago's street grid system, every ward has major streets and intersections. Unlike bridges or rapid transit, these major transportation assets are relatively evenly distributed and are a crucial part of each ward.

**Sewer:** Every neighborhood in the City is linked into the City's sewer system to provide basic sanitation and storm drainage.

**Water:** Water mains, like sewer lines, are essential for providing a reliable water source for homes, businesses, and industries. Pumping stations and filtration plants are excluded from the basic infrastructure analysis because of their city-wide nature.

Excluded from the definition are:

**Municipal Facilities:** Although such facilities as fire stations, police stations, libraries, and health clinics are critical to the quality of life for communities, we considered them to be beyond the scope of this type of analysis. because each type of facility is not present in every ward, and it is difficult to attribute their impact to a particular ward.

**Economic Development:** Capital improvements in the economic development program are also distributed unevenly throughout the City. Not every area of the City is eligible for Community Development Block Grants (often used for development in low- to moderate-income neighborhoods) or contains heavily industrialized areas. Economic development programs also tend to add new infrastructure to a neighborhood rather than maintaining existing assets, such as when previously vacant land is developed.

**Bridges and Public Transit:** Although bridges are part of the core infrastructure in many wards, they are unevenly distributed throughout the City. Using bridges in the ward-by-ward analysis would attribute large amounts of money to wards which just happen to be next to a waterway. Furthermore, bridges tend to have a predominately city-wide effect by connecting various neighborhoods and facilitating transportation through the City. As for public transit (mainly the rail system), it too is distributed unevenly and based on Chicago's early, unplanned and uneven urban development. While it is appropriate to include these investments in the "big-picture" ward-by-ward analysis, it is misleading for the basic infrastructure analysis.

**Replacement Cycle Data:** The "typical ward" infrastructure is based on several measures and calculations: the City's own estimates of infrastructure systems' "useful life" or "replacement cycle"; amounts or units of the various types of infrastructure; costs per unit; and annual need (how much should be invested yearly to keep pace with the aging of the infrastructure). Many of these important measures were published in the 1993-1997 CIP:

**Table I, City of Chicago Infrastructure Needs Assessment, Annual Street Investment Needs, Non-Arterial Street System, 1993-1997 CIP, page 165** – Includes improved streets, non-arterial sidewalks and alleys.

**Table II, City of Chicago Infrastructure Needs Assessment, Annual Lighting Needs, 1993-1997 CIP, page 166.** Includes arterial and non-arterial lights, underpass lighting, alley lights and light poles.

**Table IV, City of Chicago Infrastructure Needs Assessment, Annual Street Investment Needs, Arterial Street System, 1993-1997 CIP, page 239.** Includes streets, traffic signals, and arterial sidewalks.

For basic infrastructure unit costs, we first looked to the "Typical Project Cost" list distributed by the Office of Budget and Management at the 1998 Capital Improvement Hearings. However, in some cases those costs were not expressed in units or ways that were useful to the replacement cycle analysis. (For example, the major street resurfacing entry includes traffic signals and lighting in the cost estimate. Using this number would double-count lighting and traffic signals and therefore make the ward need appear greater than it actually is. This would also unfairly create the impression that the City was performing more poorly than it actually is). In these cases, we use the typical project costs from

OBM's 1995 Typical Project Cost list, which break out the specific costs. Please note that we compared the 1995 and 1998 typical cost estimates and found the figures were fairly consistent. For specific programs, the data was derived as follows:

**Sewers:** Sewer mileage statistics were obtained from the 1995-1999 CIP, page 197. Life-cycle estimates came from the Metropolitan Housing and Planning Council's Portfolio for the Future: Chicago's Long-Range Infrastructure Planning Needs, published in 1982. NCBG has verified this life cycle estimate during our research on other cities' capital programs. Sewer mileage costs came from the 1998 Typical Project Costs flier.

**Water:** Water main statistics were obtained from the 1995-1999 CIP, page 263. On life-cycle, that document states, "In 1995, for the first time, the Water Department will replace 40 miles of water mains. This substantial increase will now put this program on a 100-year replacement cycle which is the recognized industry standard. Water main costs per mile come from the 1998 Typical Project Costs flier."

**Arterial Streets:** Because of a discrepancy between the 1995-1999 CIP and Table IV from the 1993-1997 CIP, we used arterial street mileage from the 1995-1999 CIP, page 233, which is more recent (986 miles). However, most of downtown Chicago's streets are actually arterial streets, which results in an estimate of almost 20 miles of arterial streets per ward. NCBG calculated that average-sized wards had about 13 miles of arterial streets. We used this as a conservative average for all 50 wards. Thus, we allocated 637 miles of arterial streets to the 49 wards outside downtown (the 42nd Ward). In order to determine the replacement cycle, we calculated the proportion of resurfacing activity vs. reconstruction activity in Table IV and then applied it to the new 13 mile ward average. The proportion ends up as 9.8 percent of streets are resurfaced each year and 0.9 percent of streets are reconstructed. Cost per mile is taken from the 1995 Typical Project Costs flier.

**Traffic Signals:** Traffic signal units and life cycle statistics were taken from Table IV above, for major streets only. Per unit costs were obtained from the 1995 Typical Project Costs list.

**Residential Streets:** Residential street mileage and life cycle statistics were obtained from Table I above. Resurfacing costs were obtained from the 1998 Typical Project Costs list (using the assumption that there are eight city blocks to the mile), but reconstruction costs were obtained from Table I above.

**Sidewalks:** Sidewalk mileage and life-cycle statistics for both residential and arterial street sidewalks were obtained from Tables I and IV respectively. However, for arterial sidewalks we had to scale back the number of miles per ward because we calculated a lower average mileage of arterial streets (see above). We calculated the ratio of total arterial sidewalks to arterial streets (1.75) and multiplied this by the 13-mile estimate for the average ward. Costs per mile were obtained from Tables I and IV. Again, by using these minimized, conservative estimates, we are giving the City the benefit of the doubt regarding the average total basic infrastructure need for the ward.

**Alleys:** Alley mileage and life-cycle statistics were obtained from Table I, above. Costs per mile were obtained from the 1998 Typical Project Costs List by adding the City's share (\$45,000 per block) with the owner's share (\$30,000 per block), again assuming eight city blocks to the mile. Likewise, both the City's and the owner's shares are represented in the CIP costs that NCBG attributed to the wards. This is consistent with the City's method, which also reports both the City's share and the owners' share to arrive at total cost.

**Lighting:** Lighting unit statistics were obtained from the 1995-1998 CIP, page 171. Life cycle and unit cost statistics were obtained from Table II, above. In this table, the City lists several distinct components to lights, such as the light poles and luminaries, as well as distinct kinds of lights, such as underpass lighting, arterial street lighting, non-arterial street lighting, and alley lighting. The CIP does not identify lighting projects at this level of detail; therefore, we could not make a direct comparison to the actual CIP lighting program projects. Conservatively, we estimate that, on average, a representative life cycle for typical street lighting would be 30 years at a representative cost of \$1,000 per light. Our estimates are conservative because the City reports a \$23 million per year replacement cost, while our city-wide total would be only \$8.8 million per year.

**Tax Increment Financing:** NCBG's TIF data analysis was aided by the creation of a separate TIF database which utilizes figures provided in the Dept. of Planning and Development' June 30, 1998, *Review of Tax Increment Financing in the City of Chicago* and the associated annual reports on each TIF district. Data were also collected from the original redevelopment plans for each TIF district, interviews with DPD staff, and review of City Council records. ***Estimates of the property value under TIF designation (the "equalized assessed value," or EAV) are based on the original EAV for the TIF district and discount any growth in EAV since that time.*** This method results in a conservative estimate of the amount of total EAV under TIF designation.

Estimates of actual TIF infrastructure allocations in the CIP were performed by isolating the proportion of each project slated to be done with TIF revenues. We isolated these projects with the help of the list of funding codes provided on pages 39-40 of the 1998-2002 CIP. The dollar amount given is only the portion expected to be funded with TIF revenues, not the entire project costs (unless the two figures are equal). It is entirely possible that the City has not reported all the infrastructure expense that have actually been funded with TIF dollars. If that is the case, it draws attention to the need for more rigorous reporting of all sorts of TIF data. The annual reports produced by DPD have no information on infrastructure expenditures made with TIF dollars.

The seven "Central City" TIFs – Central Loop, Near North, Near West, Near South, River South, Michigan/Cermak, and Calumet/Cermak – were selected because of their location in or near the Loop. All of them are in areas with booming real estate markets and an immediate proximity to the Central Loop, McCormick Place, and/or the Lakefront. These TIFs roughly correspond to the "Central City" region defined elsewhere in this report, and therefore provide an appropriate basis for analysis.

**Weaknesses in the Data:** As with any major research effort, the data used in this report are imperfect, particularly in three areas. First, the boundaries of some of the wards have changed slightly since 1990. The data are geo-coded according to the ward the project was located in at the time the project last appeared in the CIP. Secondly, figures or project costs have not been adjusted for inflation. Finally, as noted elsewhere in the report, the figures that are available from the Office of Budget and Management represent the City's planned allocations, not actual expenditures.

## Appendix Two: Ward-by-Ward Rankings (Bridges Included)

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Rank	Rank w/o Bridges	Ward	Alderman	Ward Total
1	1	42	Burton Natarus	\$787,453,680
2	3	27	Walter Burnett	\$225,479,694
3	2	2	Madeline Haithcock	\$193,339,435
4	4	10	John Buchanan	\$172,017,577
5	6	11	James Balcer	\$156,376,469
6	5	25	Daniel Solis	\$156,236,236
7	7	32	Theodore Matlak	\$155,216,199
8	8	28	Ed Smith	\$104,797,752
9	9	20	Arenda Troutman	\$100,760,999
10	10	24	Michael Chandler	\$97,371,195
11	15	12	Ray Frias	\$92,346,480
12	11	19	Virginia Rugai	\$91,186,626
13	12	45	Patrick Levar	\$90,385,955
14	14	47	Eugene Schulter	\$89,117,919
15	16	14	Edward Burke	\$87,914,768
16	24	43	Charles Bernardini	\$87,249,371
17	13	21	Leonard DeVille	\$84,837,481
18	19	5	Barbara Holt	\$83,504,368
19	23	4	Toni Preckwinkle	\$79,710,650
20	17	44	Bernard Hansen	\$77,509,840
21	18	6	Freddrenna Lyle	\$77,402,555
22	20	39	Margaret Laurino	\$75,374,208
23	22	34	Carrie Austin	\$73,606,442
24	21	23	Michael Zalewski	\$73,448,329
25	45	22	Ricardo Munoz	\$73,171,459
26	25	9	Robert Shaw	\$70,461,833
27	26	7	William Beavers	\$70,406,114
28	27	8	Lorraine Dixon	\$69,752,387
29	28	46	Helen Schiller	\$69,110,506
30	30	17	Terry Peterson	\$69,101,835
31	29	29	Sam Burrell	\$68,394,887
32	31	31	Ray Suarez	\$67,330,742
33	37	30	Michael Wojcik	\$65,969,760
34	33	13	Frank Olivio	\$65,850,931
35	34	38	Thomas Allen	\$65,578,921
36	32	37	Percy Giles	\$65,523,029
37	35	41	Brian Doherty	\$65,317,842
38	36	3	Dorothy Tillman	\$64,904,955
39	38	26	Billy Ocasio	\$62,995,106
40	39	16	Shirley Coleman	\$62,650,936
41	40	15	Virgil Jones	\$62,544,060
42	41	40	Patrick O'Connor	\$62,462,564
43	42	36	William Banks	\$62,121,476
44	43	1	Jesse Granato	\$61,875,557
45	44	18	Thomas Murphy	\$60,990,301
46	48	33	Richard Mell	\$60,325,785
47	46	35	Vilma Colom	\$57,821,036
48	47	49	Joe Moore	\$56,676,888

49	49	48	Mary Ann Smith	\$55,499,473
50	50	50	Bernard Stone	\$52,438,678

Very few wards significantly switch positions as a result of adding bridges back into the analysis. In fact, only 7 wards switch positions by more than three ranks, and only one of those (Ricardo Munoz's 22nd Ward) makes a dramatic jump. The 22nd Ward, which includes bridges over the Sanitary and Ship Canal and the Stevenson Expressway, goes from 45th to 25th when bridges are added back into the analysis, in large part because of the large number of bridges in the ward and low levels of other capital allocations. Other wards with large numbers of bridges (such as the 10th, the 42nd, the 25th, and the 27th, for example) tend to have high levels of other types of investment, so adding the bridge program back in only serves to increase their margin. The most important fact to note, however, is that the general order (including the wards at the top and the wards at the bottom of the analysis) remain roughly the same, reinforcing our contention that removing bridges from the ward-by-ward rankings earlier in this report has a minimal skewing effect on the overall analysis.

### Appendix Three: "Mega-Projects"

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CIP #	Project Name	Year	Total Project Cost
10183	New Police Headquarters	1998	\$75,800,000
12211	New Central Library-400 S. State St.	1990	\$200,000,000
13385	Construction - New 911 Emergency Comm. Center	1995	\$193,000,000
15526	Museum of Science & Industry - Underground Parking	1998	\$42,740,332
20041	Southwest Transit Extension/CTA Orange Line	1998	\$3,500,000
20240	Randolph/Wabash Station	1997	\$18,000,000
20501	Southwest Transit Project	1993	\$410,000,000
23396	LSD Relocation-Roosevelt Rd Bridge, Indiana	1996	\$14,690,000
23397	LSD Relocation Balbo to 23rd Street	1996	\$47,592,000
23399	LSD Relocation - 18th St Bridge over LSD	1997	\$3,250,000
23400	LSD Relocation - Waldron/McFetdrige Dr. at LSD	1997	\$4,650,000
23401	LSD Relocation - Museum Campus	1998	\$10,100,000
23402	LSD Relocation - Landscaping	1997	\$9,710,000
23403	LSD Relocation-Advance Work	1996	\$1,400,000
23404	LSD Relocation-Sewer	1996	\$3,100,000
44209	Rehabilitation of Northwest Incinerator	1995	\$100,000,000
45095	Material Recovery & Recycling Facilities	1995	\$41,000,000

## **Appendix Four: Tax Increment Financing Background**

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Tax Increment Financing is a special way for municipalities to generate money for economic and community development. In Illinois, TIFs have been around since 1977, when they were first authorized by state law as a tool through which cities could redevelop blighted areas that had no other means of attracting development. But the extensive use of TIFs in Chicago didn't really take off until 1997 when the City and the Dept. of Planning and Development announced that they were the only tool the City had left to stimulate economic development.

The key to understanding what makes tax increment financing work is knowing what is meant by the "increment." TIFs are politically appealing tools because they do not require increasing tax rates. Instead, *a TIF brings more money into a City's budget by raising the value of the property which is taxed.* How does TIF do this? Usually, investments such as new roads, parks, or schools make an area a more desirable place to live or work, and more attractive to private investors. For struggling commercial districts, an infusion of new money can help bring customers back by making shopping areas more attractive or parking easier. For many industries, better infrastructure, such as more accessible roadways, is often a life or death issue. Major infrastructure improvements may help encourage industrial expansion and keep other businesses from relocating elsewhere. Such capital investments, along with direct subsidies paid to developers in TIF districts, increase investment activity and hasten the appreciation of property values (referred to in City documents as the Equalized Assessed Value, or EAV) and allow the City to collect more revenue. The difference between the initial property value and the new, higher value is the increment.

What sets TIF districts apart from other redevelopment schemes is that all the new property tax revenue is reinvested in that same area. Property owners ultimately pay higher property taxes, but they are reaping direct benefit from those increases. Meanwhile, the City can earmark funds for specific public works projects in the TIF district, or reimburse private developers for some of the costs they incur for projects in the area. These reimbursements can take two forms. In some cases, the City issues a bond to raise money up-front for the projects, then pays back the bond as new property tax revenue rolls in. In other situations, the City may choose a "pay-as-you-go" scheme, which means that developers are reimbursed as money becomes available through growth in tax revenue.

### **How Do They Work?**

1. A municipality, such as the City of Chicago, conducts an eligibility study and designates an area as a TIF district. For a full explanation of this process, see *Who Calls the Shots?* below.
2. The amount of tax revenue that the City and other taxing districts (such as the Metropolitan Water Reclamation District, Cook County, the Chicago Public Schools, and the Chicago Park District) are receiving is "frozen" at current levels. Until the TIF ends, up to 23 years later, these taxing districts will collect this same amount of revenue. All new tax revenue collected is reinvested in the TIF district.
3. The City makes its own capital improvements and/or provides money to assist developers in making their own improvements. TIF funds may be used for most costs related to development of the district, including: studies and surveys; legal, planning, engineering, accounting, and architectural fees; land assembly, costs of rehabilitation, financing costs, demolition, and environmental clean-up; public infrastructure; relocation costs; and costs associated with job training and career education.
4. TIF costs may be paid for either by borrowing money (through the sale of bonds) or spending the TIF revenue as it comes in (known as a "pay-as-you-go" TIF).

5. In some TIF districts, new development transforms previously vacant or underutilized land into taxpaying property. In others, public improvements or direct subsidies to developers prompt building rehabilitation and/or business expansions, or attract new businesses to the area. Once development occurs, properties become more valuable and tax revenue rises. Any revenue beyond the amount that was generated prior to TIF creation – the “increment” – goes into a special fund to pay for development within the TIF district.

### **Who Benefits From TIFs?**

In areas that suffer from chronic disinvestment, years of neglect, and have few apparent avenues for stimulating growth, TIFs can be an effective economic development tool. New or expanded industrial and commercial activity generally produces the most new revenue, though improvements to housing also can raise property values and produce more tax revenue. Most importantly, however, TIFs perform best where property values are low. A TIF district created on abandoned property that generates no tax revenue will create an immediate jump in property value as soon as development takes place.

All too often, however, TIFs are created in areas that are already seeing economic growth. State law requires that TIF districts meet certain conditions regarding the age of building stock, degree of vacancy, extent of deterioration, and other factors. After a long and costly eligibility study, seriously neglected areas are classified as “blighted” and made eligible for TIF designation. Areas that are “in danger of becoming blighted” are referred to as “conservation areas,” and are also eligible to become TIFs. Unfortunately, these criteria are so vague that many Illinois municipalities have created TIF districts in areas that do not fit a common-sense assessment of blight and most likely would have attracted development without a TIF. These TIF districts – the most notorious local example being Chicago’s North Loop TIF – rob the City treasury of valuable funds. Without a TIF designation, property tax revenue would grow on its own and be distributed across the City, and to other local taxing bodies, serving needy areas that would benefit from an infusion of public revenues. Instead, the money is channeled into the pockets of developers and already thriving neighborhoods. Other arms of city government – including the public schools and the parks – also get left out. In short, the rich get richer and the poor get poorer.

### **Who Calls the Shots?**

Even in those areas where a TIF designation is clearly justified, Illinois law provides virtually no opportunity for public input. NCBG believes that public participation in the planning stages of the TIF is essential for its long-term success. Community members know the types of projects that would best serve the community, and the ones that would significantly alter their quality of life. Furthermore, those who live and work in a TIF district can be, and have been, displaced by the new development, and should have a right to have their voices heard during the earliest stages of the process.

Equally important, however, is that the community have ongoing input into how TIF funds are spent. TIFs are put in place for up to 23 years. Redevelopment projects are carried out over several years, and change and develop as funds become available and as political and economic circumstances vary. Right now, the minimal “community involvement” prescribed in current policy occurs only in the days immediately prior to the City of Chicago’s Community Development Commission vote on the plan. Community members must have involvement earlier in the process – when the City is first considering TIF designation – and later, after a TIF has been established, when money for specific projects is being allocated.

A quick look at the process of setting up a TIF district reveals what a closed-door process it really is:

1. A company, real estate developer, and/or community development organization enters into discussions with the Dept. of Planning and Development (DPD) about the creation of a TIF district. In some cases, DPD has already initiated a TIF before discussions with developers have taken place.
2. A consultant is hired (by a developer or the City) to conduct an “eligibility study” and create a “Redevelopment Area Plan,” which together can cost up to \$250,000.
3. The completed study and plan are jointly presented at a meeting of the City’s Community Development Commission. The CDC then orders a “public hearing,” an announcement of which must be published at least 10 days prior to the hearing in the legal notices section of a local

newspaper. *Typically, there is no other form of publicity for the public hearing other than the legal notice.*

4. Fourteen days after the TIF proposal is made to the CDC, the Joint Review Board – which includes all the local taxing bodies affected by the TIF – reviews and votes on the proposal.
5. The public hearing usually takes place at a regular CDC monthly meeting which occurs during the day at City Hall. At the public hearing, the TIF district proposal is presented for public comment. State law does not require the City to respond to those comments or heed public input regarding TIF districts, only that a public hearing take place.
6. The CDC meets after the public hearing (often at the same meeting, immediately following the hearing), and approves the TIF district proposal.
7. The proposal goes to the Chicago Plan Commission if it involves zoning and land use changes.
8. Within 14 to 90 days after the public hearing, the TIF proposal goes to the City Council for designation. The Finance Committee must first pass the proposal, then it goes to the full City Council.
9. For any subsidies to private developers or firms, a "Redevelopment Agreement" between the developer and the City must also be approved. The redevelopment agreement must go through the same steps as the TIF designation, including a public hearing.
10. Mayor Daley's Executive Order 97-2 mandates one additional meeting per year of the Joint Review Board. This new meeting must take place no earlier than July 15 and no later than August 1 of each year. At the meeting, the Joint Review Board will examine the effectiveness and status of the TIF process, including an examination of the status of TIF projects and TIF financing in existing TIFs. While this meeting is not a public meeting per se, it will be conducted in accordance with the Illinois Open Meetings Act – which means the public at least will be able to observe what happens. It is important to note that at this meeting, members of the Joint Review Board will be evaluating TIF activities that have already happened. *They may be able to criticize past decisions, but they will not be able to change them, or make different decisions about future implementation policies.*