

**PROPERTY TAX RELIEF TASK FORCE  
TIF District Subcommittee**

Meeting Minutes  
September 18, 2019  
1:00pm

James R. Thompson Center  
100 West Randolph Street  
Suite 2-025  
Chicago, Illinois

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The TIF Districts Subcommittee met on September 18, 2019.

**MEETING START**

Meeting scheduled to start at 1:00pm

**AGENDA**

**I. Welcome/Roll Call**

- a. Senator Gillespie welcomed the committee and called the meeting to order around 1:05pm CDT.
- b. Roll Call was taken. Quorum was met at this time.

Name	Present
Representative Deanne Mazzochi	Yes
Representative Frances Ann Hurley	Yes
Representative Grant Wehrli	Yes
Representative Katie Stuart	Yes
Representative Kelly Burke	Yes
Representative Kelly Cassidy	No
Representative Lamont Robinson, Jr.	No
Representative LaToya Greenwood	No
Representative Mary Flowers	No
Representative Mary Edly-Allen	Yes
Representative Monica Bristow	No

Name	Present
Representative Rita Mayfield	Yes
Representative Sam Yingling	No
Representative Sara Feigneholtz	Yes
Representative Stephanie A. Kifowit	No
Senator Ann Gillespie	Yes
Senator Cristina Castro	No
Senator Dan McConchie	Yes
Senator Donald DeWitte	No
Senator Laura Murphy	Yes
Senator Mattie Hunter	Yes
Senator Rachele Crowe	Yes

- c. Representative Mayfield thanked everyone for being at the committee

**II. Presentation: Center for Tax and Budget Accountability, Ralph Martire, Executive Director**

- a. Ralph Martire said TIFs are extensively studied. The predominant studies in this area show some TIFs work but looking at the impact on EAV, job creation, building permits, or other economic development the results overall with like-kind comparisons have not been better in TIF districts than non-TIF districts.

Martire quoted one study that said, loosely, research does not say that TIF funded-projects do not end up creating jobs; what they conclude is that on average, across a whole municipality, TIFs are unsuccessful at jumpstarting economic development relative to what would have likely occurred. Martire outlined some consequences of TIF funding like tax incidence shift that often happens in overlapping taxing authorities that include non-TIFs and used school districts as an example. Martire explained the basic formula for computing property tax rate is the rate equal to the levy divided by the EAV. When TIF is established, a freeze is put on EAV which automatically reduces the denominator of the EAV, which drives up the rate as the levies go up, meaning there is a tax shift to non-TIF overlapping districts. Further, the shift also occurs to those who do not live in the municipality and causes a greater tax burden on neighboring counties even these counties are not receiving the benefits. Finally, Martire outlined that many blighted community tests are very weak.

- b. Martire outlined a number of potential reforms, like tightening up blighted community definitions. He also noted fourteen states have opt-out for other tax authority such as school districts. Illinois TIF statute also allows for a joint review board who weighs in on TIF but it is advisory only, and he suggested more authority could be given to the joint review board. Martire also spoke about evaluating a TIF by looking at impact and letting taxing districts keep their inflation growth, since the TIF did not create inflationary growth. Reform should include better transparency and a possible penalty for failing to report on time and giving other taxing districts an opt-out if a TIF fails to generate growth in the first couple years. Finally, Martire noted that TIF funds can go to administrative costs. The process needs to be cleaned up, tightened up and made more transparent. Martire and Yingling talked about Martire's main point that research shows TIF districts do not lead to more EAV growth for the entire municipality than if it had not existed. Martire said the intended use of the TIF district can also impact success and used retail TIF districts as an example because they often lead to business cannibalization effects.
- c. Senator Murphy asked to look at the methodology. Martire will send a written summary of his testimony and links to all the research to the task force members.
- d. Representative Mazzochi asked why Chicago was not compliant with TIF standards and if it was because there is an ongoing legal dispute whether standards are even enforceable against home-rule units. Martire responded that guidelines need to be tightened up and noted that the ability of TIF fund portability should also be looked at so surplus can be ported to a neighboring TIF districts. Mazzochi also brought up the timing of the TIF districts, some go on for 20 years and stop showing growth after the first few years. Martire said research showed the real benefits to TIF districts happen in the first seven - ten years, and not much after that. He spoke about doing a ten-year benchmark and creating opt-outs.

### **III. Presentation: Tax payers' Federation of Illinois, Carol Portman, President**

- a. Carol Portman noted, TIFs are used in 49 of our 50 States and the reviews are mixed. She noted in the more controlled areas, there is a better use and hopefully a better outcome. Portman said Illinois has done a better job being transparent

recently. She said that it can be a useful municipal tool but agreed it can lead to problems especially with its inherent flexibility without stricter controls.

**IV. Presentation: Illinois Policy Institute, Adam Schuster, Director of Budget and Tax Research**

- a. Studies have been done in other states regarding job growth, and some stronger job growth than Illinois, suggesting problems in the state are unique to our program. Schuster outlined what his organization believed to be guiding principles on TIFs. They should help economic development in disadvantage areas where otherwise should not occur, and not be placed in robust areas. They should minimize overlapping and minimize harm to adjacent taxing districts. And there should be transparency of public oversight and control. Schuster said Illinois should have check-in points to see if they are meeting the goals of when it was first created, tighter restrictions on definitions like, blighted, and allowing for the frozen portion of the EAV to grow with inflation. He also called for more transparency to the public in how TIF funds are spent. He also suggested, following a more usual budget processes, like going through a typical appropriations process.

**V. Open for Questions**

- a. Senator Gillespie asked for a comparison of TIFs being used. Residential development and commercial districts compared to industrial districts. Martire said studies show least successful TIFs are in residential and commercial areas, and the most successful in industrial areas. He said residential and commercial areas show robust home value growth in the district but lead to slower growth outside the district. Schuster agreed that industrial TIFs are more successful than residential and noted those studies also showed the most efficient use of funds was for capital improvements used by the entire community. Martire also said retail focused TIFs also speeds up the process of forcing out small businesses in favor of larger retail companies.
- b. Yingling asked why Illinois TIFs are 23 years long. Portman warned about rescinding TIFs too early into the life since many TIF districts have debts that need to be paid back. Schuster said other states have stricter standards for the amount of money a TIF district can borrow. Martire stated 23 years for a TIF was too long, it seemed like 10 or 15 years was a rational point of time. Schuster said stricter check-in points to lay out what was expected to be accomplished could allow for the duration to not change.
- c. Murphy and Portman noted that in the suburbs, TIF districts can lead to competition between towns to recruit growth. Martire said that research showed the communities would not even reap a long-term benefit. Schuster said the goal should be to avoid cases where municipalities know growth was already going to occur and they create the TIF, so they can capture the growth in EAV. Murphy asked if joint review boards were already enumerating TIF growth goals, and Martire noted they were not using strong enough measurements.
- d. Senator McConchie said, TIFs should exist in residential or commercial areas, since the research showed they were the least effective. Martire said they can be useful in redeveloping truly blighted areas for example. Portman stated California

just end TIFs and started over. They found municipalities were just using them to divert money from schools.

- e. Murphy asked if anyone was giving weighted votes to the joint advisory boards. Martire stated research says, it was a best practice and there were 14 states that allow school districts to opt out. Illinois' review boards were purely advisory and Martire said they should have more authority.
- f. Murphy asked about the mandated surplus. Schuster said 18 states have a percentage of increments goes to TIF and a percentage goes to the taxing bodies like California which mandates 80% goes to the TIF and 20% goes to the taxing bodies.

**VI. New Business**

- a. No new business to report.

**VII. Public Comment**

- a. No public comment at this time.
- b. Senator Gillespie went over next weeks schedule: The task force will be meeting on the 25<sup>th</sup> at 1pm. She noted speakers were already lined up: Illinois Community College Trustees Association, Illinois Municipal League, University of Illinois, Chicago Teachers Union, Illinois Economic Development Association, Illinois Education Association, Illinois Tax Increment Association, Illinois Federation of Teachers.

**VIII. Adjourn**

- a. Having no further business, the task force adjourned.