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EDITORIALS

Those promiscuous TIFs

Tax Increment Financing is not a naturally sexy subject, but let's give it a try. Across Chicago, special taxing areas—called Tax Increment Finance districts, or TIFs—are multiplying like rabbits.

The city's first TIF was set up in 1984; by 1996 there were 37 of them, and now there are 143. They cover roughly a third of the city and have generated hundreds of millions of dollars in property taxes to promote development within those districts. TIF dollars have brought new vibrancy to giant swaths of the downtown and forgotten corners of the city's neighborhoods.

Now Mayor Richard Daley wants to create a TIF in the heart of Chicago's historic financial district, raising and investing \$550 million to revive an area that is losing ground to gleaming new properties in the West Loop. The money would pay to repair bridges, streets, sidewalks and the like; to help assemble property for new development; and to provide incentives for property owners to rehab existing buildings. Rising property values would generate more tax dollars to pay for the improvements. For the city and developers, it's a win-win proposition.

But there are some losers in this picture. When the city sets up a TIF, it caps the property taxes that are paid to other bodies—including schools, parks, the county and the forest preserve—for 23 years. Instead of being shared by all those bodies, the new tax dollars generated by all that growth are controlled by the city. If the city wants to turn an area into a TIF, the others have almost no say in the matter, and no say about how the money is spent.

What they get is a promise of higher property values—and therefore more tax dollars—at the end of the 23 years. (Unless the city decides to renew the TIF for 12 more years, as it is expected to do when the Central Loop TIF, its oldest, expires next year.)

In the meantime, the schools, parks and others get none of that money. If those dollars weren't going back into the TIFs, Chicago Public Schools

would have gotten \$158.8 million more in 2004; Cook County would have received another \$30.3 million. Over the lifetime of Daley's proposed LaSalle Street TIF, the schools would lose at least \$1 billion and the county would miss at least \$202 million.

The counter-argument is that those dollars wouldn't be generated in the first place if not for the growth stimulated by the TIFs. This is probably close to the truth in areas where a TIF was created to revitalize a blighted area, which was supposed to be the point. But the law is sufficiently squishy as to allow the city, with

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a straight face, to argue that an area that includes the Sears Tower, City Hall, the Civic Opera House and the Chicago Board of Trade is in danger of economic collapse. Yes, there are buildings with high vacancy rates, and many in need of repair. But it's hard to believe the area will go to seed unless it is rescued by taxpayers.

By declaring it a TIF, the city will take whatever property tax money would have been generated by natural growth out of the pockets of the schools, the county and others. And LaSalle isn't the only new TIF in the pipeline. Another whole litter is on the way.

Cook County Commissioner Mike Quigley calls TIFs "hidden tax hikes" because they force other bodies to raise taxes to offset their losses. Quigley wants the General Assembly to declare a time-out on TIFs so it can study how they are working. He wants reforms that will ensure TIFs are limited to blighted areas, as intended. And he wants more checks and balances, so cities can't paper over the entire map with TIFs at the expense of other local governments. He is right on all counts.

TIFs are wildly prolific because they've been wildly successful. But they are not without costs. It's time for a dose of restraint.