



Memorandum

To: Members of the Economic Development Committee
From: Paul Zalmezak, Economic Development Manager
Subject: Proposed Five-Fifths TIF Update
Date: June 23, 2021

Recommended Action:
For Discussion

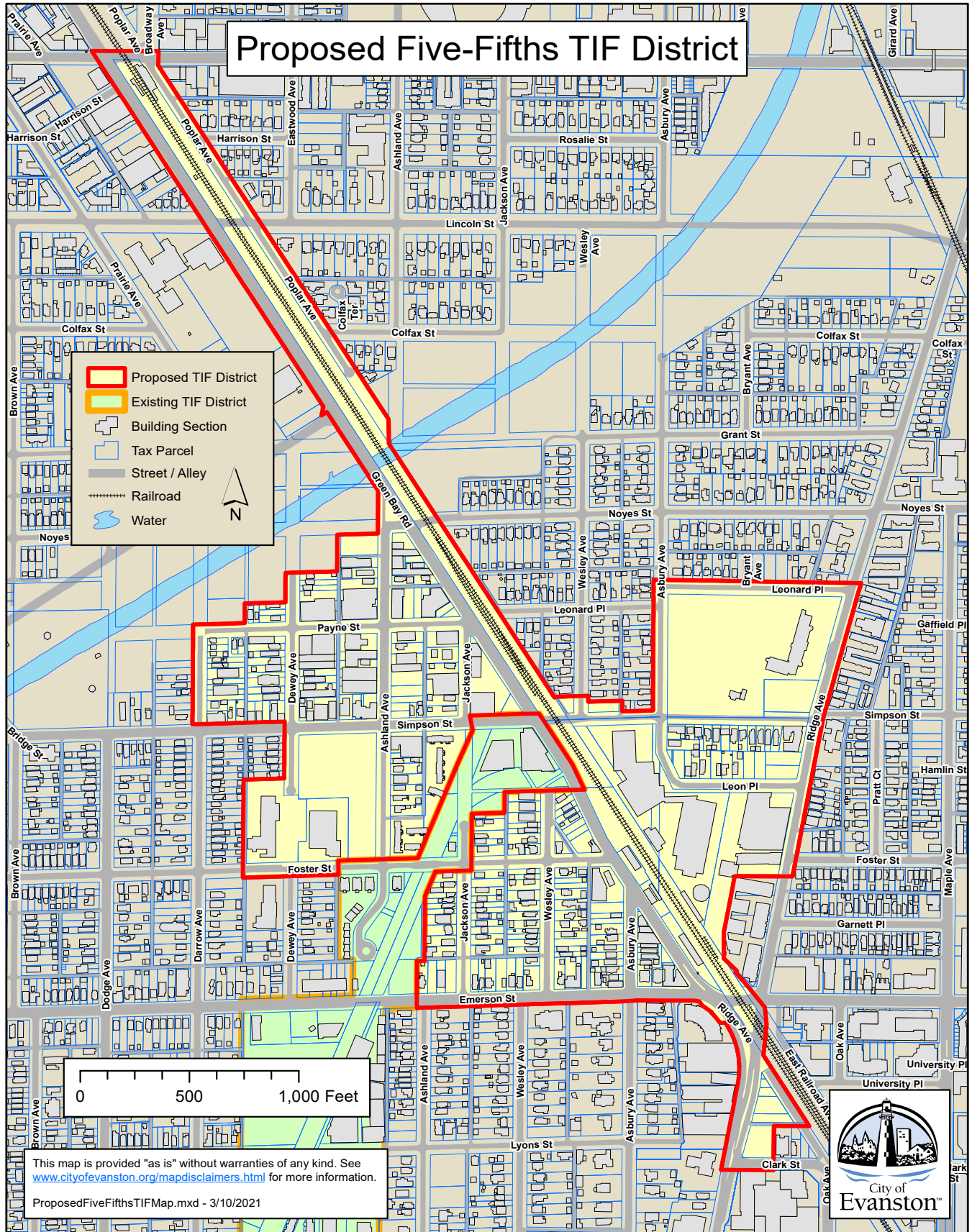
Council Action:
For Discussion

Summary:
Staff will lead a discussion about the Five-Fifths TIF process to date and review the frequently asked questions (FAQ) and map attached.

Staff is recommending that funding from an approved Five-Fifths TIF District focus on the following six activities

1. Invest in 50% of the cost of construction of new affordable housing
2. Assist with cost of repairs to existing residential property
3. Create workforce development (job training) programs
4. Assist small businesses in Fifth Ward business districts including Emerson Church/Dodge, and Simpson
5. Upgrade city infrastructure including parks, water, sewer, electric, alleys, streets, and sidewalks
6. Renovate / expand public community centers and education facilities

Attachments:
[ProposedFiveFifthsTIFMap](#)
[Five-Fifths TIF FAQ](#)



Five Fifths TIF FAQ

What is Tax Increment Financing (TIF)

TIF is a financial tool to improve infrastructure and encourage private development. Our local taxing bodies (City, District 65, District 202, Cook County, Oakton Community College) agree to make a joint investment in an identified district for a period of 23 years, during which new tax revenue generated in this district is reinvested in the designated area. Without the TIF, the development would not have occurred or would have occurred at a slower pace.

Why is it called the Five-Fifths TIF?

The name was derived from the idea that the new TIF could help make Evanston's Black community whole and a recognition of the Constitution 3/5th compromise. It's an aspiration. It's not a suggestion that it will heal or fix structural racism. But if focused on the six activities discussed below, it can help begin the repair. It also represents its focus on the historic Fifth Ward.

What is city staff recommending the TIF be used for?

Staff recommends the council focus TIF investment on the six activities listed below. At upcoming public hearings and City Council meetings, Evanston community members can provide input and propose alternative strategies. The TIF funding is meant to leverage other sources of investment and support initiatives underway in the area.

1. Invest in 50% of the cost of construction of new affordable housing
2. Assist with cost of repairs to existing residential property
3. Create workforce development (job training) programs
4. Assist small businesses in Fifth Ward business districts including Emerson Church/Dodge, and Simpson
5. Upgrade city infrastructure including parks, water, sewer, electric, alleys, streets, and sidewalks
6. Renovate / expand public community centers and education facilities

Is TIF a tax?

No, TIF is not a new tax. Property tax payers continue to pay what they otherwise would have paid prior to being included in a TIF district.

How are TIFs funded then?

The year the TIF is established is called the "Base Year." The base year property tax revenues are collected by the local taxing bodies as if the TIF did not exist. Any increased tax revenue generated exceeding the "Base Year" or "Frozen Value" is held in the TIF account for investment in that specific TIF district. The increase in tax revenues, called "increment", is the result of either inflation, increased property values of properties within the TIF district, the conversion of a property from vacant to an active use, or the conversion of a property from a non-profit or government use to a private use.

What is "Increment"?

Increment is the term used for the property tax collected as the result of increased property values. This difference from this incremental value over the original value on the date the TIF was created, also known as “base value” or “frozen value,” is placed into a TIF account separate from the general collections of the City. Eligible projects within a TIF district can be funded with the increment.

Aren't TIFs used for blighted areas?

Not in this case. The Fifth Ward is a solid middle class community with a strong history and great potential. The enabling TIF legislation provides for two means of qualifying an area for TIF. One is called a blighted area and the other is called a conservation area. The TIF consultants identified six factors that qualify the proposed area as a conservation area, as shown in bold below.

What is a Conservation Area TIF then?

The statute states specifically “a ‘conservation area’ means any improved area within the boundaries of a redevelopment project area located within the territorial limits of the municipality in which 50% or more of the structures in the area have an age of 35 years or more. Such an area is not yet a blighted area but because of a combination of three or more of the following factors is detrimental to the public safety, health, morals or welfare and such an area may become a blighted area:” (1) Dilapidation; (2) **Obsolescence**; (3) **Deterioration**; (4) Presence of Structures below minimum code; (5) Illegal use of individual structures; (6) Excessive vacancies; (7) Lack of ventilation, light or sanitary facilities; (8) **Inadequate utilities**; (9) **Excessive land coverage** and overcrowding of structures and community facilities; (10) Deleterious land use or layout; (11) **Lack of community planning**; (12) The area has incurred Illinois Environmental Protection Agency or United States Environmental Protection remediation costs; and (13) **Lagging EAV** / The total equalized assessed value of the proposed redevelopment project area has declined for 3 of the last 5 calendar years.

The Illinois statute 65 ILCS 5/11-74.4-3(a) et seq. can be read in detail at the following link:

<https://www.ilga.gov/legislation/ilcs/fulltext.asp?DocName=006500050K11-74.4-3>

Why is the Civic Center included in the proposed Five-Fifths TIF?

Staff recommends including the Civic Center building and parking lot, along with the north frontage of Simpson Street. Why? If we imagine there is a possibility that over the next 23 years the city administrative offices are relocated, we recommend including it in the district. The property has potential for adaptive reuse as housing, and new housing could be built along Simpson or on the existing parking lot. Today the Civic Center generates \$0 in property tax revenue for city services. If it were to be sold for private use, it goes on the tax rolls and would generate TIF increment that can be used to fund reinvestment in the Fifth Ward.

Is Ingraham Park in the Five-Fifths TIF?

No! Ingraham Park will not be in the TIF district. Staff does not recommend redeveloping the park. An earlier draft of the future land use plan for the TIF showed the park as an institutional/residential use. That was just a function of the fact that the park and the Civic Center building are on the same tax parcel. Staff adjusted the map to remove the park from the

proposed district. The garden at the southwest corner of Leonard Place and Ridge will also not be included.

Doesn't TIF rob the school districts of important revenue?

The City of Evanston has a history of sharing revenue with District 65 and 202, especially if the redevelopment in the TIF will contribute to student growth. City staff has already begun conversations with the school district leadership about this matter and representatives have shared their concerns publicly.

I heard that the City will use TIF to gentrify the area

There is often the perception that city policy is to gentrify or use TIF to acquire and redevelop housing. This is not true. Staff is recommending the TIF funding be used in the following ways:

1. Invest in 50% of the cost of construction of new affordable housing
2. Assist with cost of repairs to residential property
3. Create workforce development (job training) programs
4. Assist small businesses in Fifth Ward business districts including Emerson Church/Dodge, and Simpson
5. Upgrade city infrastructure including parks, water, sewer, electric, alleys, streets, and sidewalks
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The City Council is responsible for reviewing and approving every TIF expenditure. Nothing will be approved without having received public input through ward and/or community meetings and City Council meetings.

Will the City use Eminent Domain to redevelop my neighborhood?

No. The State of Illinois Tax Allocation Act has specific requirements for establishing a new TIF district that results in a locally produced plan called the "TIF Plan and Redevelopment Project." While the name suggests that a redevelopment plan is in the works and the act does provide provisions for eminent domain, the Evanston City Council has never used TIF to fund eminent domain and has no intentions to. There are safeguards in the plan for residential displacement requiring additional studies and City Council approval. Staff is not recommending the use of eminent domain for any properties in the proposed Five-Fifths TIF district. In fact, staff is recommending the creation of this TIF district to assist with the cost of repairing existing housing, building new affordable housing on vacant sites, completing Emerson Square, and enhancing the existing historic business districts.

Are TIFs inherently racist?

TIFs are a financial tool. Urban planners recommend the financial tool to achieve redevelopment means and City Councils approve their proposed uses. It is possible that some decision makers have used TIF in a way that is influenced by structural racism. The Five-Fifths TIF is intended to have a limited focus that includes funding home repairs and the creation of affordable housing, improving infrastructure, business district improvements, and workforce development. Considering this funding will directly support a majority and historically Black

community, it is hard to suggest it is racist. The community should hold current and future staff and elected officials accountable. The intentions of this proposed TIF are clearly stated.

How has Evanston used TIF in the past?

Evanston is recognized for using TIF in a transparent and responsible way. Much of the downtown infrastructure was partially funded with TIF. The movie theater development at Church and Maple received TIF funding. Whole Foods and the Park Evanston apartment building were built with a TIF contribution. TIF was one of many funding sources for the Emerson Square affordable housing development. Valli Produce improved and re-energized the Evanston Plaza shopping center with a TIF contribution from the city.

TIFs seem to be controversial, why is that?

TIFs are not easy to explain. TIF reports, intended to be transparent, are not easy to read and lead to distrust. And frankly, media coverage of TIF usage in Chicago has tainted this important economic development tool here in Evanston. Chicago's policies and liberal use of TIF for financing development do not translate in the Evanston context. We can use the lessons learned in Chicago to guard against the reported abuse and negative consequences. But Evanston's use of TIF does not mirror our southern neighbor's practices.

Why use public money to help with private development?

TIF is only used when a clear case is made that but for the use of TIF investment, a desirable private investment will not occur. City staff examines potential future tax revenue generation and public benefits including job creation or affordable housing development

How can I learn more about Evanston's use of TIF?

The City is required to provide annual reports of all TIF expenditures and post the reports on the City's website at <https://www.cityofevanston.org/business/tif-districts>

Due to the age of the reports, some are stored in the archive:

<https://www.cityofevanston.org/business/tif-districts/tif-districts-archived-annual-reports>

Paul Zalmezak serves as the City's Economic Development Manager and can be contacted at: pzalmezak@cityofevanston.org or 847.448.8013

State of Illinois Tax Increment Allocation Redevelopment Act

(65 ILCS 5/Art. 11 Div. 74.4 heading) DIVISION 74.4. TAX INCREMENT ALLOCATION REDEVELOPMENT ACT

<https://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=006500050HArt%2E+11+Div%2E+74%2E4&ActID=802&ChapterID=14&SeqStart=213100000&SeqEnd=215400000>

Illinois Tax Increment Association

<https://illinois-tif.com/about-tif/>

TIF Illinois

<https://www.tifillinois.com/tif-basics.html>