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IGO Releases Review of Charitable Donations in TIF Public Benefits Clauses

The City of Chicago Office of Inspector General (IGO) today released a review of TIF Public Benefits Clauses and Charitable Donations.

Private charitable entities are sometimes named as beneficiaries in Tax Increment Financing (TIF) redevelopment agreements (RDAs) through the inclusion of “public benefits” clauses. Public benefits clauses are terms in TIF RDAs (as well as City grant agreements and land sale contracts) which obligate the recipients of the City subsidy to make donations to specific charities or public programs as a condition of receiving the City subsidy. The City identified 73 RDAs as including public benefits clauses from 1985 through 2009; 27 of those RDAs directed cash contributions to private non-profits. All but one of the 27 agreements were signed in the ten-period from 2000-2009.

The review, which can be [viewed online here](#), found a significant lack of transparency and accountability in the City’s process of choosing specific non-profit organizations for inclusion in public benefits clauses. The IGO’s review also established that among all recipients, both public and private, a single private non-profit organization was second only to the City itself in the number of mentions. In fact, that organization, After School Matters (or its KidStart Program), was named as a recipient in 59% of the agreements directing contributions to private non-profits.

TIF recipients interviewed by the IGO established that, in the vast majority of cases, the private, non-profit recipients of public benefits were unilaterally chosen by the City. However, City employees responsible for the negotiation of TIF agreements were unable to articulate the criteria by which non-profits are chosen to receive donations through public benefits clauses, or how such decisions are made.

“This is a specific example of the lack of transparency, accountability, and ownership the Mayor’s Task Force on TIF Reform discussed earlier this summer,” said Inspector General Joe Ferguson. “When the public can’t see how their money is used to leverage benefits for private entities, we have a transparency issue. When the IGO can’t get an answer to how those private entities are chosen, we have an accountability issue. When the City’s administrators aren’t able to explain the final outcomes, we all have cause for concern.”

The IGO’s review also provided several recommendations to the Mayor and City Council. Assuming the City continues to name private entities as recipients of private donations under public benefits clauses, the IGO recommends: 1) the City establish an open process, using publicly available criteria, for the selection of eligible public benefits clause beneficiaries; and 2) TIF recipients be permitted to choose which eligible private charities they wish to support as a condition of the TIF subsidy. Further, noting

the Mayor's Task Force on TIF Reform did not specifically address public benefits clauses in its final report, the IGO encourages the Mayor and City Council to include this review in their efforts to improve the TIF process.

The IGO is charged by ordinance with promoting economy, efficiency, effectiveness and integrity in the operations of the City government. In our continuing effort to be fully responsive to the City's challenges and supportive of the efforts of the Mayor and City Council in meeting those challenges, the IGO welcomes any suggestions or comments on our reports, or suggestions of City programs to review.

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