



OFFICE OF INSPECTOR GENERAL
City of Chicago



REPORT OF THE INSPECTOR GENERAL'S OFFICE:

***ANALYSIS OF SPECIAL SERVICE AREA TAXES AND TAX
INCREMENT FINANCING FUNDS***

APRIL 2012

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The Inspector General's Office has conducted an analysis of property taxes billed to property owners in Special Service Area (SSA) taxing districts that overlap with Tax Increment Financing (TIF) districts.¹ The analysis found that over 80% of SSAs overlapped with TIF districts in 2010 and 2011 and SSA taxpayers contributed approximately \$7 million to TIF districts each year due to the SSA tax rates applied to their properties' incremental EAVs.²

When property owners pay an SSA tax³—an extra tax rate voluntarily implemented for the purpose of funding supplemental neighborhood services—for an SSA that overlaps with a TIF district, the additional SSA rate requires them to also pay additional taxes to the overlapping TIF district. This is not inappropriate or unique to SSAs; an increase in any taxing district's tax rate generally results in increased taxes paid into overlapping TIFs.⁴

An SSA is an economic development tool that enables an area's residents and business owners to raise property taxes to fund services such as sidewalk maintenance, landscaping, security, and local business advertising provided by an appointed Service Provider Agency. An SSA, like any taxing district,⁵ annually requests a tax levy, expressed in dollars. The request is submitted to and must be approved through an ordinance passed by the City Council. The resulting levy is then filed with the Cook County Clerk. The Clerk determines the tax rate by factoring the requested levy against the district properties' Equalized Assessed Value (EAV) available for taxation by the SSA.⁶ The tax rates vary amongst SSAs, and vary from year to year as long as the rates do not exceed the SSA district's tax rate ceiling. In 2011 the SSA tax rates ranged from 0.15% to 3.00%.⁷ There were 42 SSAs in Chicago that year and their aggregate tax levies were nearly \$20 million.⁸

TIF districts are established by the City and are designed to counter blight by encouraging economic development. Like SSAs, TIFs are funded by property taxes but the mechanics of taxation is different. When a TIF is created, the properties' existing EAVs at the date the TIF is approved are recorded as a "base" EAV. The base EAV stays the same each year, and taxes levied on the base EAV are collected by the taxing districts. But any future increase in the EAV creates a new "incremental" tax base. The taxing districts' rates are applied to the incremental EAV as well as the base EAV, but the tax dollars generated from the incremental EAV are collected by the TIF. TIFs do not have tax levies. Rather, as a result of a TIF, the total property

¹ See <http://chicagoinspectorgeneral.org/uncategorized/special-services-areas-description/> for more on SSAs and <http://chicagoinspectorgeneral.org/publications-and-press/audits/igo-audit-report-findings-and-recommendations-to-address-inadequate-controls-tif-expenditures/> for more on TIF.

² For taxes paid in 2010 there were 40 active SSAs, of which 32 overlapped with TIF districts in whole or in part.

For taxes paid in 2011 there were 42 active SSAs, of which 35 overlapped with TIF districts in whole or in part.

³ SSA taxes are not billed separately from other property taxes; all property taxes are billed together in a single bill paid in two installments each year.

⁴ The only exception to this relationship is if the TIF properties' EAV depreciates from its "frozen" value, in which case no taxes are directed to the TIF.

⁵ A taxing district is a unit or sub-unit of local government that has authority to levy a property tax. School districts, park districts, libraries, municipalities, and counties are examples of taxing districts.

⁶ In calculating the tax rate, the Cook County Clerk must ensure that the rate imposed does not exceed any legal maximum.

⁷ Illinois property taxes are paid in arrears. The taxes billed and paid in 2011 are for the property's 2010 tax year. In this report, discussion of the calendar year refers to the preceding tax year.

⁸ Cook County Clerk, Taxing Agency Reports.

taxes paid are divided between the taxing districts and the TIF fund, with collection against the base going to the taxing district and the collection on the incremental EAV going to the TIF, which uses the funds for certain development projects and other eligible costs. In 2011 there were 165 TIF districts in Chicago, which received approximately \$510 million in property tax revenue.⁹

When SSAs and TIF districts overlap, it can create an unintended benefit for the TIF because while the SSA tax is extended on the base EAV at a rate sufficient to meet the levy (within the legal maximum rate), it is also extended on the incremental EAV reserved for the benefit of the TIF, thereby resulting in an increase in TIF revenues. For example, SSA #51 (Chatham), which was established in 2011, is approximately situated along Cottage Grove Avenue from 75th Street to 95th Street on the southeast side of the City. Some of the SSA #51 properties are also in one of three overlapping TIF districts: the 87th Street / Cottage Grove Avenue TIF, the Stony Island / Burnside TIF, and the 95th / Stony Island TIF.

In 2011 the SSA #51 Service Provider Agency, the Chatham Business Association, budgeted to provide security patrols, street cleaning, façade improvement, advertising and administrative expenses such as personnel salaries and office rent. The City Council approved a tax levy for SSA #51 of \$996,000, the estimated cost of the services. The Cook County Clerk determined the tax rate needed to generate the \$996,000 by dividing the levy into the base EAV of all the properties in the SSA. In 2011, the County determined that the required rate was 1.409%.¹⁰

But because some of the SSA properties are also in TIF districts, they have a base EAV and an increment EAV. Any assigned tax rate taxes both the base and the increment EAV. According to Cook County tax records, SSA #51 property owners were billed a total of \$1,625,924 as a result of the SSA tax rate: \$996,317 to the SSA and an additional \$629,607 to three the TIF districts from the 1.409% SSA rate applied to the increment EAV of each TIF. The SSA tax rate, revenue and distribution were as follows:

SSA #51 – Chatham

	EAV	SSA Tax Rate	Revenue	Distribution
Base EAV	\$70,710,961	1.409%	\$996,317	SSA
Increment EAV – 87 th /Cottage Grove	\$40,263,049	1.409%	\$567,306	TIF
Increment EAV – Stony Island/Burnside	\$4,392,327	1.409%	\$61,888	TIF
Increment EAV – 95 th /Stony Island	\$29,317	1.409%	\$413	TIF

Source: 2010 Cook County Tax Agency Report for Agency 03-0210-150, 2010 Cook County TIF Distribution report, and 2010 Office of the County Clerk Listing of Tax Codes by Agency report

⁹ Cook County “TIF Revenue Report” for the City of Chicago
<http://www.cookcountyclerk.com/tsd/DocumentLibrary/TIF%20Revenue%20Rpt%202010%20Chicago-B.pdf>

¹⁰ When that rate was applied back to the base EAV, it yielded a tax extension of \$996,317 due to rounding the rate to three decimal places. $\$996,000 \div \$70,710,961 = 1.4086\%$. $1.409\% \times \$70,710,961 = \$996,317$.

SSA #51 taxpayers were billed \$996,317 for the SSA (1.409% of the base EAV of \$70,710,961) and \$629,607 for the SSA rate on the TIFs' increment EAVs (1.409% of the combined TIF incremental EAVs of \$44,684,693).

In another example, taxpayers of SSA #16 (Greektown) were billed \$494,230 in taxes to fund an SSA tax levy of \$119,112 in 2011, with the remaining \$375,118 owed to the TIF as a result of applying the SSA tax rate to the incremental EAV. In other words, of the total tax billed to meet the SSA levy, less than 25% went to the SSA, and more than 75% was owed to the TIF.

The IGO's analysis used Cook County tax records for the past two tax years to calculate how much in additional taxes were owed to TIFs due to the SSA tax rates. The analysis found that over 80% of SSAs overlap with TIF districts. Furthermore, SSA taxpayers contribute approximately \$7 million into TIFs each year due to the SSA rates applied to their properties' increment EAVs.

This information is presented here in a chart that lists each SSA's tax rate, the SSA tax extension, and the additional distribution to the TIF(s).

Special Service Area	2009 Tax Year SSA Tax Rate ¹	2009 Tax Year SSA Tax Extension ¹	2009 Tax Year Additional Revenue to TIF ²	2010 Tax Year SSA Tax Rate ¹	2010 Tax Year SSA Tax Extension ¹	2010 Tax Year Additional Revenue to TIF ²
SSA #1 State Street	0.385%	\$2,743,630	\$0	0.404%	\$2,763,836	\$0
SSA #2 Belmont-Central	1.397%	\$395,577	\$432,037	1.356%	\$383,923	\$325,808
SSA #3 63rd St.	1.095%	\$1,416,182	\$536,958	1.230%	\$1,497,659	\$537,030
SSA #4 95th St.	0.809%	\$85,892	\$112,058	0.809%	\$85,848	\$103,770
SSA #5 Commercial Ave.	3.000%	\$406,956	\$474,165	3.000%	\$406,956	\$685,603
SSA #7 Kedzie Tract Industrial	0.000%	\$0	\$0	0.306%	\$50,055	\$9,450
SSA #8 Lake View East	0.272%	\$749,525	\$0	0.311%	\$817,542	\$0
SSA #10 Back of the Yards Neighborhood Council	1.869%	\$432,538	\$861,085	1.866%	\$431,716	\$750,813
SSA #13 Stockyards	0.922%	\$694,089	\$707,937	0.887%	\$1,198,600	\$925,166
SSA #14 Marquette Park	0.315%	\$503,663	\$17,283	0.304%	\$488,733	\$8,965
SSA #16 Greektown	1.000%	\$119,112	\$409,757	1.000%	\$119,112	\$375,118
SSA #17 Central Lakeview	0.147%	\$493,956	\$0	0.159%	\$503,574	\$0
SSA #18 North Halsted	0.337%	\$371,120	\$0	0.443%	\$473,985	\$0
SSA #19 Howard St.	0.714%	\$228,457	\$154,041	0.791%	\$240,098	\$174,125
SSA #20 Western Ave.	0.407%	\$175,227	\$97,100	0.414%	\$178,240	\$79,918
SSA #21 Lincoln Square	0.230%	\$143,344	\$117,882	0.231%	\$143,788	\$102,450
SSA #22 Clark St. - Andersonville	0.443%	\$229,752	\$128,341	0.441%	\$223,653	\$118,716
SSA #23 Clark St. - Lincoln Park	0.274%	\$579,546	\$0	0.249%	\$446,646	\$0
SSA #24 Clark/Morse/Glenwood	0.544%	\$379,811	\$41,131	0.565%	\$389,039	\$37,451
SSA #25 Little Village	0.346%	\$399,212	\$12,964	0.372%	\$413,349	\$12,941

SSA #26 Broadway Commercial District	0.358%	\$333,274	\$176,751	0.431%	\$385,143	\$199,149
SSA #27 Lincoln/Belmont/Ashland	0.131%	\$471,673	\$19,834	0.162%	\$564,097	\$23,679
SSA #28 Six Corners	0.461%	\$216,649	\$144,850	0.466%	\$216,897	\$130,403
SSA #29 West Town	0.254%	\$411,009	\$19,560	0.244%	\$376,518	\$17,323
SSA #31 Clark-Lawrence	0.221%	\$310,804	\$232,339	0.207%	\$286,526	\$194,178
SSA #32 Auburn Gresham	1.066%	\$283,535	\$188,429	1.062%	\$282,399	\$138,360
SSA #33 Wicker Park-Bucktown	0.148%	\$661,953	\$16,400	0.270%	\$1,136,154	\$28,422
SSA #34 Uptown	0.215%	\$513,118	\$327,544	0.229%	\$525,798	\$327,615
SSA #35 Lincoln Ave.	0.204%	\$198,502	\$0	0.200%	\$182,791	\$0
SSA #38 Northcenter	0.151%	\$169,813	\$143,206	0.154%	\$169,481	\$135,572
SSA #39 Brighton/Archer	0.971%	\$846,239	\$15,494	1.049%	\$886,096	\$12,070
SSA #40 Michigan Ave. - Roseland	1.287%	\$223,514	\$116,720	1.434%	\$216,759	\$122,987
SSA #41 103rd St. - Roseland	1.197%	\$193,453	\$61,327	1.120%	\$180,346	\$43,763
SSA #42 71st St. - Stony	1.281%	\$502,136	\$539,140	1.298%	\$506,045	\$468,951
SSA #43 Devon Ave.	0.387%	\$179,671	\$185,974	0.397%	\$184,093	\$166,971
SSA #44 103rd Street - Beverly	0.540%	\$12,841	\$7,538	0.470%	\$11,177	\$5,540
SSA #45 103rd Street	1.205%	\$690,111	\$4,567	0.124%	\$64,689	\$2,506
SSA #46 119th Street (Terminated in February 2011)	1.982%	\$775,812	\$601,594	NA	NA	NA
SSA #47 47th/Cottage Grove	1.016%	\$359,414	\$118,769	0.735%	\$248,661	\$69,760
SSA #48 Old Town	0.215%	\$169,961	\$0	0.229%	\$169,840	\$0
SSA #49 South Shore (New in 2011)	NA	NA	NA	0.977%	\$553,293	\$96,529
SSA #50 Calumet Heights/Avalon (New in 2011)	NA	NA	NA	0.995%	\$507,341	\$465,327
SSA #51 Chatham (New in 2011)	NA	NA	NA	1.409%	\$996,317	\$629,607
SSA #52 51st Street (New in 2012)	NA	NA	NA	NA	NA	NA
SSA #54 Sheridan Road (New in 2012)	NA	NA	NA	NA	NA	NA
Total		\$18,071,070	\$7,022,775		\$19,906,811	\$7,526,034

¹ Source: Cook County "Tax Agency Report" for the 2010 and 2009 tax years

² Source: These figures were calculated by multiplying the increment equalized assessed value (EAV) of the TIF districts within each SSA by the SSA tax rate. The increment EAVs were derived from the Cook County "Tax increment Distribution Summary" for the 2010 and 2009 tax years. Excel versions of these summaries are included as separate worksheets in this workbook. In order to determine what portions of each TIF district were in each SSA, the tax codes for each SSA were compared to the tax codes for each TIF district.

In those instances where a TIF has a negative value for Increment EAV (i.e., the properties' EAV has decreased below the base EAV), no revenue is recorded to the TIF. For this reason, it is possible for an SSA that overlaps a TIF to generate no TIF revenue. However, there are no such instances for the SSAs listed above during the tax periods reviewed. All SSAs indicated above to have not generated revenue to the TIFs are outside of TIF districts for the tax years reviewed.

The details of which tax codes are in each SSA are included in the 2009 and 2010 SSA Tax Codes and Rates worksheets in this workbook.