



OFFICE OF INSPECTOR GENERAL
City of Chicago



REPORT OF THE INSPECTOR GENERAL'S OFFICE:

***RECOMMENDATIONS FOR IMPROVING THE SSA
ESTABLISHMENT PROCESS***

JUNE 2012

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June 4, 2012

To the Mayor, Members of the City Council, City Clerk, City Treasurer, and residents of the City of Chicago:

The City of Chicago Office of Inspector General (IGO) has completed a review of the process for establishing Special Service Area taxing districts. The published review includes the City's Department of Housing & Economic Development (HED) response.

Prompted by the City Council's February 2011 termination of SSA #46 just three months after the SSA's first tax extension was billed to property owners, the IGO makes several recommendations to improve the SSA establishment process, as well as how local communities are informed of their possible economic impact.

I would like to thank HED Commissioner Mooney for his timely response to IGO inquiries, and hope this work will be of assistance to him and his staff as they work to improve this process' transparency and clarity.

Respectfully,

A handwritten signature in blue ink, appearing to be "J. Ferguson".

Joseph M. Ferguson
Inspector General
City of Chicago

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I. EXECUTIVE SUMMARY

The Inspector General’s Office (IGO) has conducted a review of the process for establishing a Special Service Area (SSA) taxing district in the City of Chicago. The review was prompted by the City Council’s termination of SSA #46 in February 2011, just three months after the SSA’s first tax extension was billed to property owners. One of the major reasons cited for terminating SSA #46, which was approximately centered at West 119th and South Halsted Street, was criticism from property owners that their property taxes increased far more than they had been led to expect as a result of the SSA.

This report demonstrates that measures were not in place to ensure that taxpayers were properly informed of the true cost of implementing SSA #46. The result was an SSA property tax rate that, in itself and ignoring the effects of year to year changes in assessed property values, increased property owners’ taxes by approximately 30%, which was far more than the taxpayers’ expectations of a 1.5% increase. The IGO found that the major factors contributing to this discrepancy were miscalculations by the SSA applicant in developing the estimated SSA tax rate, and poor communications between the SSA applicant and local taxpayers about the estimated tax impact of the SSA.

The IGO makes several recommendations to improve this process. Specifically, the IGO recommends that the City’s Department of Housing and Economic Development (HED)—the liaison agency between SSA applicants and the City Council—increase its oversight of the application process by (1) reviewing the accuracy of an SSA applicant’s SSA tax rate estimation, (2) requiring more transparent disclosures and communications made by the SSA applicant to taxpayers, and (3) fully adhering to its stated requirement of obtaining letters of public support from SSA stakeholders, while also improving the content of the support letters.

II. INTRODUCTION

The IGO has conducted a review of the establishment process of the Special Service Area (SSA) #46 taxing district. SSA #46, approximately centered at the intersection of West 119th Street and South Halsted Street, was terminated by the City Council in February 2011 just three months after its first SSA tax levy was imposed in the second installment of the 2010 property tax.

Preceding the termination of SSA #46, newspaper articles reported taxpayers' frustration with an SSA tax that was much higher than the taxpayers had been led to expect. The IGO interviewed several SSA #46 taxpayers. Some individuals confirmed that they originally supported the SSA, but only because the SSA Service Provider had informed them of a much lower impact on their property tax bills. Other individuals told the IGO they did not even know about SSA #46 until receiving their property tax bills.

The IGO's review sought to examine the SSA #46 application process and identify opportunities for improvement. The findings of the review are presented below. Based on the findings, the IGO makes several recommendations on ways for the City to better ensure that SSA stakeholders are properly informed about a proposed SSA and support its establishment.

III. BACKGROUND & SSA ESTABLISHMENT PROCESS

A. Background

As previously reported by the IGO,¹ an SSA is an economic development tool that establishes a taxing district with specific boundaries. Property owners in that district pay an additional property tax to fund services such as sidewalk maintenance, landscaping, security and local business advertising.

B. Illinois Special Service Area Tax Law

Pursuant to Illinois statute, the minimal application requirements for establishing an SSA include: the name and legal status of the Sponsor Agency; identified services to be provided; proposed SSA boundaries; the estimated amount of funding required; and the stated need and local support for the proposed special service area. Additionally, state law requires a public hearing (including specific notification requirements) and passage of a municipal ordinance to create the SSA.²

C. SSA Establishment Process

The City developed its own step-by-step process for establishing an SSA. That process, which includes the statutorily enumerated minimal requirements, is outlined in documents on HED's "Special Service Area (SSA) Program" website.³ At the time of the establishment of SSA #46, the primary reference material available to applicants was HED's *Guide to Starting a Special*

¹ To view prior IGO work on SSAs visit the links below:

<http://chicagoinspectorgeneral.org/major-initiatives/open-chicago/special-service-areas-resource-page/>

<http://chicagoinspectorgeneral.org/publications-and-press/press-releases/best-practices-and-recommendations-for-ssa-transparency/>

² 35 ILCS 200/27

³ http://www.cityofchicago.org/city/en/depts/dcd/supp_info/special_service_areassaprogram.html

*Services Area.*⁴ More recently HED has updated its Special Service Area (SSA) Program website with additional resources, and removed the link to the Guide. The currently available materials describe a detailed and sequential application process.

According to HED, the first step in creating an SSA lies with the local property owners and a community organization, who work with their alderman and HED to evaluate “whether an SSA is the right tool for their district and whether there is a local agency that can sponsor and manage the SSA district.”⁵ The evaluation is conducted principally through a Feasibility Study and an SSA application, both of which are completed by a non-profit Sponsor Agency (usually the future Service Provider Agency of the SSA).⁶

The Feasibility Study considers the suitability of an SSA for achieving stakeholders’ goals by analyzing the proposed SSA district’s boundary and land characteristics, and the qualifications of the Sponsor Agency. If the Feasibility Study concludes that the SSA is the appropriate means of achieving the desired economic development goals, the Sponsor Agency completes the SSA application. The application includes the proposed SSA services and budget, and an analysis of the district properties’ Property Index Numbers (PINs), among other planning documents. The PIN analysis catalogues all of the properties in the proposed SSA district and, using the properties’ equalized assessed values (EAVs) and the proposed SSA budget, determines the projected SSA tax rate.⁷ The rate estimation is important because of how the levy is determined during the tax extension process. An SSA, like any taxing district, 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’ EAV available for taxation by the SSA. In calculating the tax rate, the Cook County Clerk must ensure that the rate imposed does not exceed any legal maximum or “rate cap.”

Once the completed SSA application is approved by HED, the Sponsor Agency must convene local stakeholder meetings and makes public outreach efforts. Sponsor agencies mail out a community meeting notice to the taxpayer PIN⁸ list inviting property owners to learn more about the proposed SSA. The Sponsor Agency may create informational brochures, executive summaries of the services/budget, and PowerPoint presentations for the meeting in order to explain the SSA and encourage stakeholder feedback. The Sponsor Agency collaborates with the

⁴ <http://www.cityofchicago.org/content/dam/city/depts/dcd/ssa/2010SSAaudits/SSAGuide.pdf> URL last accessed on 4/26/2012.

⁵ <http://www.cityofchicago.org/content/dam/city/depts/dcd/ssa/SSAFAQs2012.pdf>

⁶ As described in HED’s online documents there are several additional, more detailed steps throughout the current application process, including interviews between HED and the Sponsor Agency, surveys with SSA stakeholders, and organizational planning for the Sponsor Agency. This background section presents the general process. To view a full list of the current steps involved in establishing an SSA refer to <http://www.cityofchicago.org/content/dam/city/depts/dcd/ssa/2011SSA/2013StartUSteps.pdf>

⁷ The Sponsor Agency can only estimate the SSA tax rate. The actual rate is determined after the SSA files a tax levy expressed in dollars with Cook County. The county determines the actual tax rate during the tax extension process. The PIN analysis and SSA tax rate estimation process is more fully described in the *IGO Review of SSA #46 PIN Analysis* section in this report.

⁸ The Cook County Clerk’s office defines a PIN as a numerical code for the legal description of a piece of land as it has been defined for the purposes of real estate taxation.

local alderman and HED to establish target public support levels, which could include a certain type or number of support letters.

Finally, with HED’s approval of the application and the public outreach, the City Council Finance Committee schedules a public hearing. After the hearing the City Council votes on the approval of the SSA. If the vote passes, the City Council establishes the taxing district by ordinance.

In the case of SSA #46 the Sponsor Agency, Far South Community Development Corporation (“Far South CDC”), completed a Feasibility Study and submitted an SSA application to HED in May 2009. The application included the PIN analysis, the proposed services and budget, fliers demonstrating public meetings held in the community, and letters of support by those in favor of creating the SSA. After HED’s vetting period, a public hearing was held by the City Council in October 2009. The City Council voted in favor of creating the SSA, and it was established by ordinance in December 2009. SSA #46’s first tax levy was scheduled for the second installment of the 2009 tax year, which occurred in the fall of 2010.⁹

The IGO reviewed the SSA #46 application materials, and HED’s Guide and FAQ materials. The IGO also interviewed a HED official, Far South CDC employees and contractors, and SSA #46 property owners. The following is a summary of the IGO’s analysis, findings and recommendations.

IV. REVIEW OF SSA #46 PIN ANALYSIS

A. Analysis

In the SSA #46 application, the Far South CDC completed a Property Index Number (PIN) analysis in which it considered budget scenarios by dividing various proposed SSA revenue amounts against the properties’ EAVs. The analysis helped the Far South CDC estimate an SSA tax rate that would generate enough revenue to pay for the desired level of SSA services.

Far South CDC projected the SSA tax rate as 1.5% by dividing the selected budget for SSA Services (\$785,628) by the aggregated gross EAV for all of the district properties (\$52,734,169), as of the most recently available property assessment date.¹⁰ At the time of the PIN analysis, the tax rate can only be estimated because the final EAV for the year when the SSA tax will take effect is not yet known. The actual tax rate typically varies slightly from the estimate because Cook County uses updated property assessments during the annual tax extension process.

In reviewing the SSA application, the IGO found that the Far South CDC prepared the PIN analysis with the incorrect property EAVs because it failed to consider Tax Increment Financing

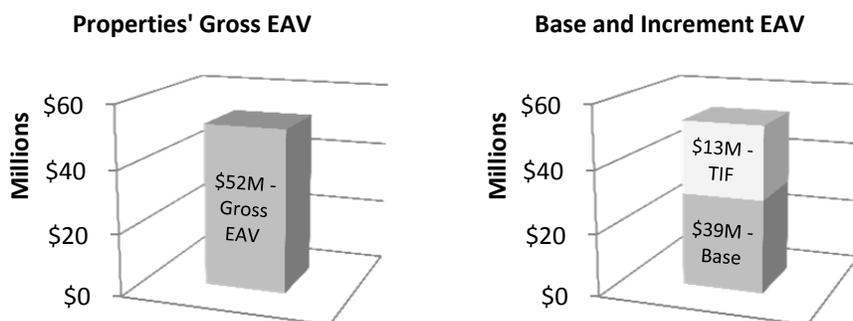
⁹ Illinois property taxes are paid in arrears. The taxes billed and paid in 2010 are for the property’s 2009 tax year. In this report, discussion of the calendar year taxes refers to the preceding tax year.

¹⁰ The PIN analysis typically uses property assessment values associated with taxes levied in the preceding calendar year. For its May 2009 SSA application’s PIN analysis, the Far South CDC used assessment values associated with the taxes levied in calendar year 2008 which represented the 2007 tax year.

(TIF) districts that overlapped with the SSA district.¹¹ This consideration is important because, in a TIF, not all of the properties’ EAV is taxable by other taxing districts. To understand this concept, it is important to recognize how TIFs affect the tax extension process. TIF districts are established by the City and are designed to counter blight by encouraging economic development. 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 subsequent 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.

The SSA #46 district overlapped with three TIF districts and as a result, the SSA #46 properties’ base EAV was substantially less than the gross EAV used in the PIN analysis to project the SSA tax rate.¹² The figure below illustrates this difference.

Figure 1: Gross EAV vs. Base and TIF Increment EAV



The chart on the left depicts the SSA #46 properties’ gross EAV of \$52 million. The chart on the right shows how gross EAV is made up of a base EAV (\$39 million) and an Increment EAV (\$13 million), which is the cumulative appreciation to the EAV since the TIFs were established. Note: The figures used in the charts are approximations and used for illustration purposes only.

In the PIN analysis which was completed in September 2008, the Far South CDC incorrectly estimated the SSA tax rate as 1.5% because it divided the budget (\$785,628) by the 2007 tax year gross EAV of \$52 million, as opposed to the available base EAV of approximately \$39 million.¹³ This miscalculation did not affect the amount of tax revenue that SSA #46 received because the requested levy filed with Cook County is expressed in terms of dollars and the final rate calculated by the county did not exceed the statutory rate ceiling for the SSA. The SSA still filed its intended levy of \$775,637, which differed from the originally estimated \$785,628 due to

¹¹ For a description of the effect of TIF districts on overlapping SSA districts see the IGO’s *Analysis of Special Service Area Taxes and Tax Increment Financing Funds* at <http://chicagoinspectorgeneral.org/publications-and-press/analysis-of-special-service-area-taxes-and-tax-increment-financing-funds/>.

¹² According to TIF maps available online at the City’s TIF portal (<http://www.cityofchicago.org/city/en/depts/dcd/provdrs/tif.html>), the three overlapping TIF districts are: 1) the 119th / Halsted TIF (established in 2002), the 119th / I-57 TIF (established in 2002), and the West Pullman TIF (established in 1998).

¹³ The 2007 base EAV figure is an approximation based on Cook County Tax Agency reports. It is presented here for illustration purposes only.

budget revisions. However, in order to generate the \$775,637 in revenue to the SSA from the available base EAV of \$39,142,906¹⁴ (as opposed to the gross EAV) Cook County had to assign a rate of 1.9815%. The tax extension process used the final, rounded rate of 1.982% that led to a total SSA revenue amount of \$775,812.

Additionally, for those properties in a TIF district, the 1.982% SSA tax rate raised revenue not just for the SSA, but for the TIF district as well. In these instances, taxpayers paid the same SSA tax rate as those SSA #46 property owners outside the TIF districts; however, in accordance with tax increment financing not all of their tax payment went to fund the SSA. The SSA collected the revenue associated with the 1.982% tax rate applied to the base EAV (\$39 million), and the TIF collected the revenue associated with the 1.982% tax rate applied to the increment EAV, which by the time that the SSA tax was first billed to property owners in 2010 had risen to over \$30 million. In addition to the \$775,812 of tax revenue owed to the SSA, taxpayers owed the TIFs \$601,594. In other words, the voluntarily established SSA #46 taxing district, which requested a levy intended to fund SSA services actually led to an SSA tax rate that created an overall tax liability of \$1,377,406.

In an interview with the IGO, a HED official explained that the Sponsor Agency *is* required to determine the properties' gross and base EAV when estimating the SSA rate and projecting the SSA revenue. The HED official added that the Sponsor Agency is solely responsible for the accuracy of the PIN analysis. HED checks the geographic consistency of the PIN list with the district boundaries; however, the department does not review the accuracy of the PIN EAVs. According to the HED official, the department does not have the resources to perform such a review. Furthermore, the approval of the application (and the ultimate establishment of the SSA) is not dependent on the accuracy of the EAVs in the PIN analysis because the PIN analysis is conducted for budgeting purposes and rate estimation, and EAVs used in the analysis from the prior tax year serve only as an approximation for the succeeding year's tax extension process.

B. Findings

By failing to account for the impact of TIFs in the PIN analysis, the Far South CDC substantially underestimated the tax rate necessary to generate the SSA revenue, and it overlooked the fact that, as a result of the SSA tax rate, SSA #46 taxpayers' tax liability was almost twice the SSA levy itself.

V. REVIEW OF FAR SOUTH CDC'S PUBLIC OUTREACH

A. Analysis

According to HED, formation of an SSA requires outreach to the property owners in the proposed SSA district. Without performing an accurate PIN analysis, however, the Far South CDC could not have properly informed SSA property owners of an accurately estimated tax rate or the full cost of the SSA services.

Besides the previously discussed rate difference between 1.982% (actual) and 1.5% (estimated), the IGO identified inaccuracies and inconsistencies in the SSA application materials. For

¹⁴ 2009 tax year base EAV as presented in the Cook County Tax Agency Report for agency 03-0210-145.

example, the SSA application includes a PowerPoint document entitled *Preliminary Real Estate Tax Analysis Findings* prepared by Cheryl Johnson & Associates, a consulting firm hired by the Far South CDC to assist in the SSA planning and public outreach efforts. The analysis includes slides with summary findings such as the tax impact to owners of SSA #46 properties. The slides show that taxpayers should expect an average tax increase of \$106. However, using the same underlying data, the IGO calculated an expected average increase of \$1,146 when the 1.5% rate is added to the composite property tax rate.¹⁵

Additionally, the PowerPoint document presents summary points in a slide titled “tax payer 1.5% increase.” The title is misleading because it does not discern the difference between a tax rate increase of 1.5 percentage points and a tax bill increase of 1.5%. According to interviews with SSA #46 taxpayers who attended SSA planning meetings hosted by the Far South CDC, property owners were advised that the SSA tax would be a marginal percentage increase to their tax bills. One taxpayer was told that the SSA would increase his total property taxes by about 2%, a dollar figure that he calculated to be around \$200 for his property. Another taxpayer recalled that he was led to expect a total tax increase of around \$700, but later faced a \$7,800 SSA tax on his bill. Based on the PIN analysis, budget and other application documents, the planned increase to the tax rate was 1.5 percentage points. That would bring the composite property tax rate for properties in the SSA to 6.253% from 4.825%, which is an approximate tax increase of 30%. The figure below illustrates the difference between an increase in the SSA rate compared to a percent increase in the dollar amount of the tax.

Figure 2: Sample Tax Bill

Taxing District	2009 Tax	2009 Rate	2009 %	Pension	2008 Tax	2008 Rate
MISCELLANEOUS TAXES						
South Cook Mosquito Abatement	4.46	0.009	0.14%		5.07	0.009
Metro Water Reclamation District	129.47	0.261	3.94%	7.44	141.84	0.252
Parks/Museum/Aquarium Bond	6.94	0.014	0.21%		8.44	0.015
Chicago Park District	146.33	0.295	4.46%		173.35	0.308
Miscellaneous Taxes Total	267.20	0.579	8.75%		328.70	0.584
SCHOOL TAXES						
Board of Education	1,173.65	2.366	35.75%		1,391.34	2.472
Chicago Community College Dist 508	74.41	0.150	2.27%		87.80	0.156
School Taxes Total	1,248.06	2.516	38.02%		1,479.14	2.628
MUNICIPALITY/TOWNSHIP TAXES						
TIF-Chicago-1191th-Halsted	***	***	***		0.00	0.000
Chicago Special Service Area 46	683.17	1.982	29.95%		0.00	0.000
Chicago School Bldg & Imp Fund	55.56	0.112	1.69%		65.86	0.117
Chicago Library Fund	49.11	0.099	1.50%		57.41	0.102
City of Chicago	449.00	0.887	13.40%	202.38	522.32	0.928
Municipality/Township Taxes Total	1,527.84	3.080	46.54%		645.58	1.147
COOK COUNTY TAXES						
Cook County Forest Preserve District	24.31	0.049	0.74%	0.49	28.70	0.051
County of Cook	97.23	0.196	2.96%	35.21	126.08	0.224
Cook County Public Safety	56.55	0.114	1.72%		59.10	0.105
Cook County Health Facilities	41.67	0.084	1.27%		48.40	0.086
Cook County Taxes Total	219.76	0.443	6.69%		262.28	0.466
(Do not pay these totals)	5,282.66	6.616	100.00%		2,715.70	4.825

This is a property tax bill from an SSA #46 property (redactions applied). In 2008, the “Chicago Special Service Area 46” line was 0.00, and the total tax rate was 4.825. The total 2009 tax rate was increased to 6.618, almost entirely because of the new SSA tax rate of 1.982. Had the 2008 total tax just been increased by 1.982% in 2009, the new tax bill for this property would have been \$2,770 or just \$54 more than the prior year (ignoring the effects of changes in the property’s assessed value and year to year changes in the equalization factor). Instead, the total tax increased \$567, or approximately 20%.

¹⁵ The IGO’s calculation was based on the originally estimated tax levy of \$785,628 divided by 685 taxable PINs. The IGO was unable to reconcile its calculated average with the \$106 average calculated by Cheryl Johnson & Associates.

The SSA #46 public hearing notice does not clarify the matter much further. It correctly refers to the SSA tax as an additional 1.5% of a property’s EAV, but calls it a “modest tax levy,” and does not translate this increase into a dollar impact to the average property owner.

B. Findings

The Far South CDC failed to properly inform SSA #46 taxpayers. The Far South CDC’s consultant report was the basis for its communications to SSA #46 property owners about the projected tax impact of the SSA tax levy. That report misstated the impact by significantly underestimating the average cost to taxpayers. And, based on the statements by those who attended the stakeholder meetings, at least some taxpayers were led to expect a 1.5% increase to their total tax bill, rather than a 1.5 percentage point increase to the composite property tax rate.

VI. REVIEW OF PUBLIC’S DEMONSTRATED SUPPORT FOR SSA #46

A. Analysis

HED explains to applicants in the Guide that due to the localized nature of SSAs, strong local support by the taxpayers and elected officials is key to an SSA’s success.

The application instructions require applicants to submit “10 letters of public support, dated within ten days of the SSA application date, from property owners and/or lessees in the SSA boundaries that are not also board members of the Sponsor Agency.” The IGO review identified that, of the ten letters included in the SSA #46 application, three letters were signed by residents outside of the SSA boundaries, three letters were from lessees (not owners) of properties within the SSA boundaries, and the remaining four were taxpayers of record. However, one of the four was a board member of the Far South CDC. One taxpayer of record who had signed a letter of support told the IGO that he had supported the SSA at the time, but only because he thought the taxes would be much lower.

The IGO inquired with a HED official about the public support letters requirement and the Far South CDC’s shortfall in meeting that requirement. The HED official explained that the department regards “public support” as a subjective matter. The number of public support letters is not a binding SSA application requirement because ultimately the only important factor is whether or not the City Council is satisfied that the public supports the SSA. To HED, the critical evidence of public support is a letter from the alderman local to the SSA. In the Far South CDC’s application for SSA #46, Alderman Austin (34th) supported the SSA in a May 7, 2009 letter by writing “I am pleased to write this recommendation supporting the proposed 119th Street Special Service Area and requesting City Council approval.” The application process progressed, and the City Council approved the SSA and established it by ordinance on December 9, 2009.

B. Findings

The Far South CDC failed to submit the required number of acceptable public support letters. Additionally, given the inaccuracies of communicated estimations of the SSA rate and cost to taxpayers, it is difficult to rely on any of the letters as valid evidence of public support.

VII. IGO RECOMMENDATIONS FOR PROCESS IMPROVEMENTS

The findings illustrate a situation in which a state law with very few substantive requirements for creating an SSA was combined with poor planning and outreach by the Sponsor Agency and insufficient oversight by HED.

According to HED, the Far South CDC application and public hearing notice met the minimum requirements under the Illinois Special Service Area Tax Law, even though certain components of its application were inaccurate, inconsistent and/or invalid. The Far South CDC used an inaccurate PIN analysis that failed to consider the full impact to taxpayers. Without this consideration, the Far South CDC could not have properly assessed whether the SSA services were worth the total cost. Nor could it have properly informed taxpayers about the expected cost during the public outreach period. Those public support letters that were generated were based on inaccurate and/or incomplete information. In the instance of SSA #46, property owners' taxes increased approximately 30% due to the SSA,¹⁶ and only 56% (\$775,812) of the total tax liability created by the SSA rate went towards the SSA. Ultimately, SSA #46 was terminated by the City Council. But the IGO recommends that HED improve the City's SSA establishment process to better ensure that in the future, stakeholders are sufficiently informed of proposed SSAs. None of these recommendations replaces the Sponsor Agency's primary responsibility in each step of the SSA application process. However, as the City department responsible for reviewing SSA applications, HED is in the position to effect these changes.

The IGO makes the following recommendations.

1. Review PIN Analysis for Accuracy

HED's SSA application process already requires applicants to perform gross and base PIN analysis, and to calculate the difference in applying the SSA tax rate to both data sets. However, without proper vetting of this critical component of the application (as this review demonstrates), there is a potential for significant ramifications if the Sponsor Agency underestimates the SSA tax rate and the financial impact to taxpayers. The PIN analysis is too crucial to the overall success of the SSA to go unchecked.

The IGO recommends that HED verify the accuracy of the gross and base EAVs used in the PIN analysis. This will ensure that the Sponsor Agency has properly estimated the SSA tax rate, and had considered the true cost to taxpayers. To the extent that HED lacks the resources to perform such a review, the department should consider available options to appoint a third party to verify the accuracy of the EAVs and charge the Sponsor Agency for the incurred costs of reviewing the PIN analysis.

2. Improve Quality of Sponsor Agency Communications

HED could improve the public outreach process in a number ways. Department liaisons could review the Sponsor Agency's research findings for accuracy, and they could attend the stakeholder meetings to assist in presentations and communications.

¹⁶ Not all property owners' taxes increased exactly 30%. Individual property owners may have experienced overall tax increases at varying percentages from the preceding year due to changes in their property's assessed value.

An even more effective measure would be to improve the quality of the information presented in the public hearing notice. The public hearing notice is mailed to all SSA property owners, and therefore, reaches the most important audience.

The IGO recommends that HED require the Sponsor Agency's public hearing notice to explain in plain language the difference between an increase to a tax rate (expressed as a percentage) versus the percent increase in a total tax bill. The IGO further recommends that the public hearing notice state the expected total dollar impact per \$1,000 EAV to average residential, commercial and industrial property owners, as well as the estimated revenue, if any, to TIF districts based on the estimated SSA tax rate. These disclosures will help ensure that property owners recognize the true cost of the SSA.

3. Adhere to Requirement for Public Support Letters

Public support letters are the primary indicators that the taxpayers are in favor of the SSA. The IGO recommends that HED adhere to its stated requirement of receiving public support letters, and that those letters include representation from residential and commercial property owners. The IGO further recommends that the letters include the same information as the recommended public hearing notice. This ensures that those individuals supporting the SSA have been properly informed of the estimated impact the SSA has on their property taxes.



DEPARTMENT OF HOUSING AND ECONOMIC DEVELOPMENT
CITY OF CHICAGO

May 17, 2012

Joe Ferguson
Inspector General
Office of the Inspector General
City of Chicago
740 N. Sedgwick St., Suite 200
Chicago, IL 60654

Dear Mr. Ferguson:

I am writing in regards to your May 4th letter regarding the draft report, "Recommendations for Improving the SSA Establishment Process." The Department of Housing and Economic Development (HED) is prepared to address recommendations in Section VII as noted below.

1. Review PIN Analysis for Accuracy

We agree that HED needs to implement stricter oversight and review of a Sponsor Agency's PIN analysis. HED is looking at a variety of options such as in-house resources or by going through the proper channels to retain a consultant.

2. Improve Quality of Sponsor Agency Communications

- a. Department liaisons could review the Sponsor Agency's research findings for accuracy.

HED will enhance its efforts to verify the accuracy of the Sponsor Agency's research findings by getting the right resources assembled, which could include staff training and/or by going through the proper channels to retain a consultant. Currently, HED has retained a certified public accounting firm to review the Sponsor Agency's start-up costs.

- b. They [HED staff] could attend the stakeholder meetings to assist in presentations and communications.

HED has already implemented numerous enhancements for communications with 2013 SSA designations, including, but not limited to:

- *HED staff participates in the SSA Advisory Committee kick-off meeting and most SSA Advisory Committee meetings*
- *HED staff are a required presenter at both of the required community meetings in the City's application and any others as needed*

- *HED convenes a conference call to prepare for community meetings to confirm who is presenting key information, such as the impact of the taxes and TIF, if applicable*
- *HED requires an educational mailing to announce the community meetings and reviews the letter's content*
- *HED requires agencies to post minutes of the two community meetings in addition to other information about the SSA*

c. Improve the quality of the information presented in the public hearing notice.

HED agrees that supplemental information included with the legal notice should be accurate and in plain language. A supplemental fact sheet should be made available in the public hearing notice.

3. Adhere to Requirement for Public Support Letters

a. HED adheres to its stated requirement of receiving public support letters, and that those letters include representation from residential and commercial property owners.

HED will work with the Sponsor Agency to determine residential and commercial representation in support letters as well as other land uses that may be in the proposed district such as industrial.

b. The letters include the same information as the recommended public hearing notice.

Through improved communications, HED anticipates stakeholders will more clearly understand the SSA tax impact. HED will prepare a form for support letters that coordinates with information in the supplemental fact sheet to be provided with the public hearing legal notice.

Sincerely,



Andrew J. Mooney
Commissioner