



Joseph M. Ferguson
Inspector General

OFFICE OF INSPECTOR GENERAL *City of Chicago*

740 N. Sedgwick Street, Suite 200
Chicago, Illinois 60654
Telephone: (773) 478-7799
Fax: (773) 478-3949

FOR IMMEDIATE RELEASE:
June 4, 2012

CONTACT: (773) 478 -0534
Jonathan Davey

IGO Releases Recommendations for Improving the SSA Establishment Process

The City of Chicago Office of Inspector General has published a review of the process for establishing Special Service Area (SSA) taxing districts, as well as the official response to the report from the City's Department of Housing & Economic Development (HED).

The review was prompted by the City Council's February 2011 termination of SSA #46, 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.

The report demonstrated 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 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.

"Neighborhood residents and business leaders need to understand SSA's true economic impact when evaluating whether or not the SSA will be beneficial to them and their neighbors," said Inspector General Joe Ferguson. "HED has indicated it will be more aggressive in assuring accountability and transparency in the SSA creation process; we look forward to following up on these efforts in the future."

The IGO made several recommendations to improve this process. Specifically, the IGO recommended that HED:

- (1) Review the accuracy of an SSA applicant's SSA tax rate estimation.

In response to the report, HED agreed the department needs to implement stricter oversight and review of applicant's tax rate estimations. The response indicated that HED was looking into a "variety of options" to ensure better accuracy

- (2) Require more transparent disclosures and communications made by the SSA applicant to taxpayers.

HED stated it would enhance its efforts to verify the accuracy of Sponsor Agency research. Additionally, HED has already “implemented numerous enhancements for communications with 2013 SSA designations” including HED staff participation in SSA Advisory Committee kick-off meetings, and ensuring accountability in determining who presents key information in community meetings, such as the impact of the taxes.

- (3) Adhere to its stated requirement of obtaining letters of public support from SSA stakeholders, while also improving the content of the support letters.

In response, HED noted it will work with Sponsor Agencies 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. Additionally, HED stated that it 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.

The full report and response can be found online at the IGO website: www.chicagoinspectorgeneral.org. Follow the IGO on Twitter @ChicagoIGO for the latest information on how the IGO continues to fight waste, fraud, abuse, and inefficiency in Chicago government.

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