



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:
November 26, 2012

CONTACT: (773) 478-0534
Jonathan Davey

IGO Releases Follow-up Report on Charitable Donations in TIF Public Benefits Clauses

The City of Chicago Office of Inspector General (IGO) today released a follow-up report to its October 2011 review of Tax Increment Financing (TIF) Public Benefits Clauses¹ and Charitable Donations. The follow-up report has two major findings. First, it describes 10 additional previously undisclosed public benefits clauses. Second, it details the City's actions in response to the IGO's 2011 report.

The IGO's original October 2011 review found that the City had provided \$3,726,740 in donations through 27 public benefits clauses to 23 private non-profits, all but one of which were signed in the ten-year period from 2000-2009. That report revealed that the designation of the private charities of the "public benefits" lacked criteria, process, and accountability. The original review also made several recommendations to the Mayor and City Council focused on establishing a more open and transparent public benefits clause process.

The follow-up report includes the identification of the 10 additional public benefits clauses, which were uncovered in an unrelated investigation conducted after the release of the IGO's October 2011 review. These additional clauses had not been provided to the IGO in response to earlier requests, nor had they been made publicly available otherwise.

Four of the 10 additional public benefits clauses committed a total of \$375,000 in cash contributions to private entities. This brings the total value of donations directed to 25 private non-profits in 31 TIF redevelopment agreements to \$4,101,740.

Today's follow-up report also details action the City took following the IGO's October 2011 review. Originally, the City moved to restrict cash donations to just those private entities "integrally involved" in a TIF project. The IGO noted that while the new guideline did limit the practice, it failed to provide criteria and procedures for the qualification, identification, or selection of entities that are "integrally involved in the TIF-funded project", and it also failed to address the IGO's concerns about transparency, accountability, and preferential treatment raised in the original 2011 review.

¹ Public benefits clauses are terms in TIF Redevelopment Agreements (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.

In its response to the IGO, DHED noted that it has since affirmatively prohibited the City's practice of directing cash donations to private charities by eliminating the exception for private charities integrally involved in a TIF funded project. DHED has stated that the practice of directing cash donations to private entities through TIF agreements stopped in 2009 and that, under the current administration, the practice is not permissible. DHED has further proposed revisions to the TIF Guidelines designed to reflect the City's "true intent" on the matter.

"With this further action, the City appears to have ended its prior practice of directing cash donations to private charities in TIF public benefits," said Inspector General Joe Ferguson. "The long-running practice – a non-transparent, no-accountability, and zero-ownership routine that posed an appearance of preferential treatment – is no more."

The follow-up report and City response can be found online at the IGO website: www.chicagoinspectorgeneral.org. Follow the IGO on Twitter [@ChicagoIGO](https://twitter.com/ChicagoIGO) for the latest information on how the IGO continues to fight waste, fraud, abuse, and inefficiency in Chicago government.

###