

TIF DISTRICT EXTENSION FRAMEWORK

Updated: December 10, 2024

PURPOSE AND SCOPE

Through the end of 2027, 47 Tax Increment Financing (TIF) districts are set to expire, a shift that will profoundly change how the City uses and administers its TIF program. With so many expirations, the Department of Planning and Development (DPD) conducted a study to determine which TIF districts are the best candidates for extension. This framework identified districts that were both located in areas of high socioeconomic need as well as financially healthy. Based on this analysis, DPD recommends the extension of a total of 18 TIF districts. This recommendation ensures that sufficient funds will return to the City's general fund needed to support debt service for the Housing and Economic Development Bond (the Bond).

BACKGROUND

The City of Chicago's TIF program has begun a significant wind-down with 47 districts set to expire on or before December 31, 2027. This rapid decline is a result of a flurry of designations approved in the early 2000s which are now approaching the end of their 24-year life. While TIF districts are able to be extended for an additional 12 years,¹ the volume of pending expirations means it is simply not possible to extend all of them. This is due, in part, to the Illinois General Assembly (ILGA) being unwilling to consider more than four extensions per legislative session.

Discussions around the potential extension of TIF districts have always been important, but the approval of the \$1.25 billion Bond in April 2024 adds an additional layer of complexity. Specifically, the City intends to utilize incremental property taxes returning to the City from expiring TIF districts to fund necessary debt service. Without this revenue, the City would be required to either raise taxes or lower the amount of funding provided by the Bond. It is, therefore, imperative that a plurality of TIF districts be allowed to expire so their revenue can be returned to the taxing bodies and used as debt service for the Bond.

During the Bond's approval process, DPD was asked by City Council which TIF districts would be allowed to expire. DPD could not provide a detailed list at that time, in part because the approval of the bond would define DPD's extension strategy. However, a commitment was made by DPD to develop a data-driven study that would establish a rational and transparent framework to identify extension candidates. This was later codified in the Bond ordinance, with DPD required to report the City's overall approach to extensions and their financial impact to the Bond.

To uphold this commitment, DPD developed an analysis that identifies which of the expiring TIF districts are the best candidates for extension. In the past, decisions around TIF district extensions relied on some degree of data analysis, but decision-making was still largely done on

¹ An extension must be first authorized by the Illinois General Assembly and then subsequently approved by City Council.

an ad hoc basis. With so many districts expiring though, it is essential to take a systematic approach to find the best candidates for extension.

ANALYSIS AND METHODOLOGY

To identify which TIF districts should be recommended for an extension, DPD created a data analysis framework that compares each TIF districts' level of socioeconomic need and financial capacity. The framework was only used to analyze the 47 TIF districts that are scheduled to expire through the end of 2027. DPD intends to rely on this methodology on a move forward basis for districts expiring in 2028 and beyond and as new data is made available.

SOCIOECONOMIC NEED SCORE

DPD first determined each TIF districts' level of socioeconomic need to identify communities where City support is most essential. In these high-need communities – with above average poverty and unemployment – the private market alone does not sufficiently invest in community development projects, making TIF a critical economic development tool. To find the level of socioeconomic need, DPD evaluated ten metrics to establish the overall level of disadvantage for a given area – the Socioeconomic Need Score. This data largely came from the US Census' 2022 American Community Survey (ACS), but the specific data points are identified in [Table 1](#) below.

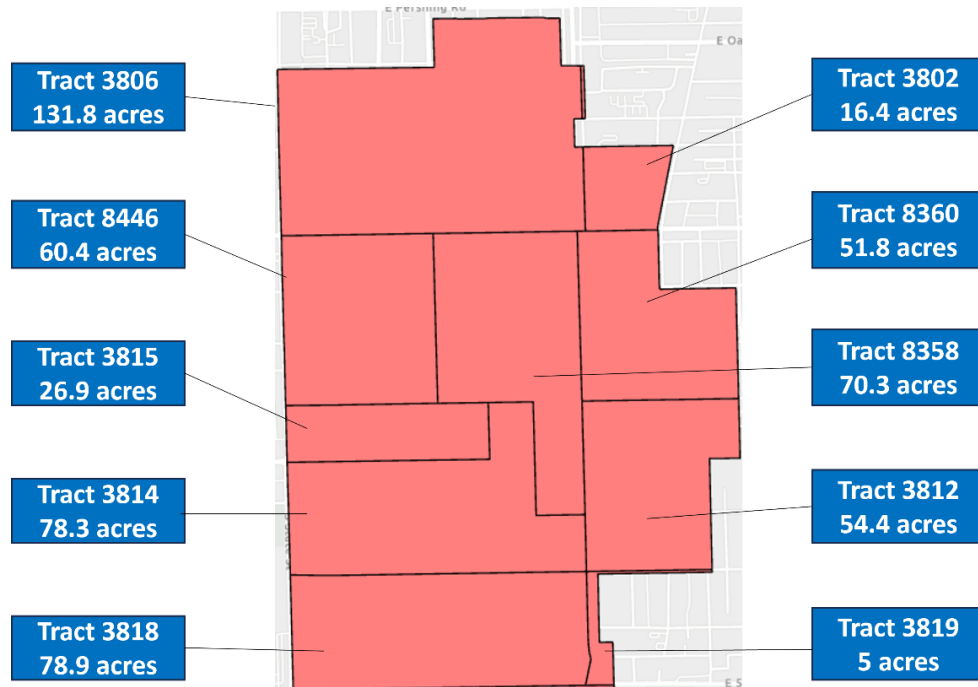
Table 1: Socioeconomic Need Data and Sources

Metrics from Part One	Data Source
Median home value	B25077: ACS, 2022 5-year rolling average
Median household income	DP03: ACS, 2022 5-year rolling average
Percent of the population without health insurance	B27001: ACS, 2022 5-year rolling average
Percent of households with earnings less than \$10,000 per year	DP03: ACS, 2022 5-year rolling average
Percent of households with earnings greater than \$200,000 per year	DP03: ACS, 2022 5-year rolling average
Percent of households with mortgages where housing costs are greater than 35% of all household costs	DP04: ACS, 2022 5-year rolling average
Percent of households without mortgages where housing costs are greater than 35% of all household costs	DP04: ACS, 2022 5-year rolling average
Unemployment rate	S1701: ACS, 2022 5-year rolling average
Poverty rate	B07012: ACS, 2022 5-year rolling average
City-owned parcels	City of Chicago GIS database

The use of ACS data generally required DPD to analyze data at the census tract level. Census tract borders do not match TIF district boundaries though, making it impossible to assign tract-level data to TIF districts one-for-one. To address this issue, DPD compiled data as weighted averages based on the relative size of the census tracts within the TIF district. These intersections, found using ArcGIS, are simply the percentage of how much of a given census

tract is within the expiring TIF district as a whole. The outcome of how this calculation was specifically determined for the 47th/King TIF District is shown in [Figure 1](#) below.

Figure 1: 47th/King TIF District and Census Tract Intersections



After determining the tract intersections, DPD calculated the weighted average of each metric for all 47 expiring TIF districts. First, DPD used the areas of the tract intersections to determine the weights, or the ratio between the area of the tract intersection and the overall area of the TIF district. For instance, if the tract intersection is one acre and the total area of the TIF district is 4 acres, the weight is 25 percent. Then, the weights were multiplied by the metrics to find the weighted value. Finally, all the weighted values were summed to find the weighted average of the metric being measured for the TIF district.

This is the most accurate approach because, in many cases, two neighboring tracts are vastly different. By finding the weighted averages, such differences are reflected proportionately. Therefore, outlier cases do not skew the results, especially if they come from a tract that occupies a small area of the TIF district. [Table 2](#) below shows how the weighted average for median household income was calculated for the 47th/King Drive TIF District.

DPD then calculated the difference as a percentage between the districts’ weighted averages and the citywide averages for each metric. Large differences in percentage – either positive or negative – indicate the weighted average is significantly different from the Chicago average. For example, a difference of -0.55 shows the weighted average is 55 percent less than the Chicago average. This methodology was used because it allowed DPD to create a stable basis for comparison across data points that may otherwise been an incongruent or unrelated comparison, such as between median home value and poverty rate.

Table 2: Weighted Average of Median Household Income for 47th/King TIF District

Tract	Area within TIF	Median Household Income	Weighted Value
3806	22.90%	\$25,455	\$5,829
3818	13.70%	\$46,813	\$6,413
3814	13.60%	\$34,300	\$4,664
8358	12.20%	\$79,868	\$9,743
8446	10.50%	\$54,565	\$5,729
3812	9.40%	\$44,757	\$4,207
8360	9.00%	\$77,292	\$6,956
3815	4.70%	\$23,288	\$1,094
3802	2.80%	\$25,167	\$704
3819	0.90%	\$58,803	\$529
Weighted Average²			\$45,916

The Socioeconomic Need Score was then calculated by adding the percentage differences for all ten metrics. In some cases, the metrics reflected a negative social condition – such as poverty rate – so it was necessary to multiply this figure by -1. This allowed all the percentage differences to be added together regardless of whether they are a positive or negative indicator.

FINANCIAL CAPACITY SCORE

In addition to the socioeconomic indicators, DPD created a Financial Capacity Score to reflect the general financial health and overall use of funds in the expiring TIF districts. This was determined by two metrics: incremental property taxes generated by the TIF district in Tax Year 2023 and the total funding allocation of projects between 2019 and 2023. These criteria together identify a well-utilized TIF district that is able to fund economic development projects.

DPD took a similar approach to find the Financial Capacity Score as it did to find the Socioeconomic Need Score. The average incremental property tax revenue generated by all 121 TIF districts in Chicago was calculated. Then, DPD calculated the percentage difference between the 47 TIF districts’ revenue and the citywide average. These steps were repeated to find the percentage difference between the expiring TIF districts’ funding allocation and the citywide average. Ultimately, both percentage differences were added together to finalize the Financial Capacity Score with a higher score indicating a well-funded TIF district that successfully allocates its funding.

RESULTS AND RECOMMENDATIONS

To establish a final score and ranking for these districts, DPD simply combined the Socioeconomic Need Score and the Financial Capacity Score to create the final “Combined

² Several intersecting tracts with areas less than 0.1 percent were excluded from Table 2, but were included in the calculation.

Score.” The full list of all 47 TIF districts with their corresponding scores can be found attached as Exhibit A. Ultimately, DPD recommends extending the TIF districts with Combined Scores ranked in the top one-third (in reverse order) as well as four districts that were previously approved for extension by the ILGA before the adoption of this methodology. This cutoff was selected as the point where the maximum amount of TIF districts can be extended while ensuring enough expiring funds are made available to pay for the Bond.

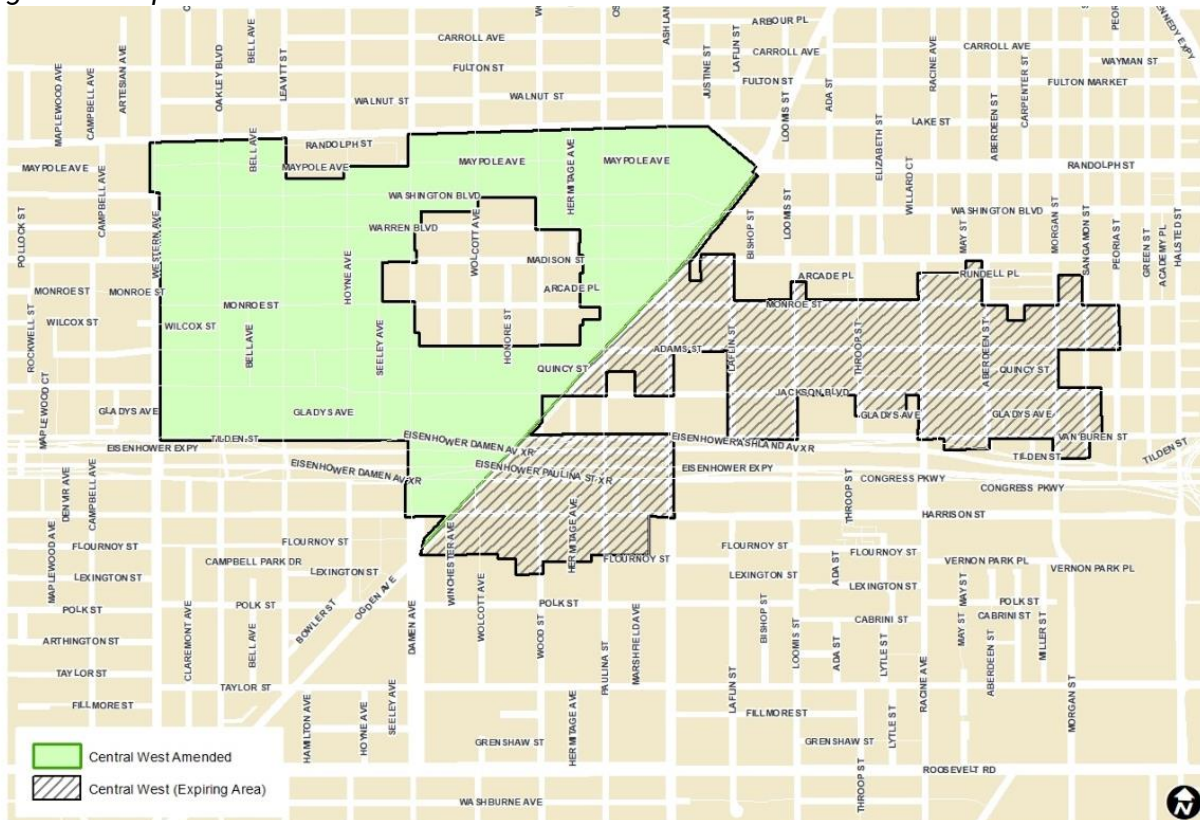
SPECIAL CASES

In three cases, DPD’s recommendations deviate from the overall rankings of the final score. For all three, there were special circumstances that DPD believed warranted strictly utilizing the recommendations of data analysis . Those are described below for each impacted TIF district.

Central West

The Central West TIF district is unique in that it has two distinct areas that are roughly separated by Ogden Avenue. The eastern portion includes a number of high-value West Loop development sites; the western portion, however, contains areas of high need. Given that, DPD bifurcated this request for this analysis and considered the score for the current boundaries of the district as well as a score for the district with revised boundaries shown in Figure 2. While the score for the current boundaries did not warrant an extension, the revised boundaries demonstrated a clear need. For that reason, DPD is recommending that Central West be extended but that it be reduced in size in order to allow the portions of the district within the West Loop to return their tax base to the general fund.

Figure 2: Proposed Amendment to Central West



Englewood Mall

Although it ranked second overall, DPD is not recommending that Englewood Mall be extended for a second time. Instead, DPD will seek to expand the Englewood Neighborhood TIF in order to absorb the eligible portions of the existing Englewood Mall into a single, larger TIF district. DPD believes this represents a better operational practice because it will not require continued porting from Englewood Neighborhood into Englewood Mall.

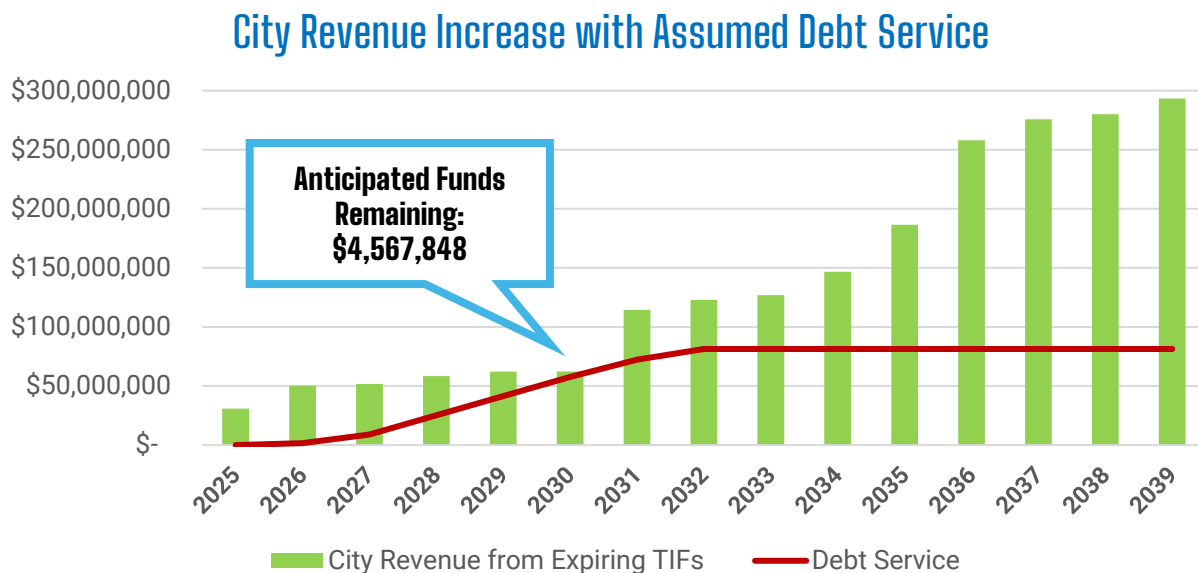
Wilson Yard

Despite scoring relatively highly, DPD is recommending that Wilson Yard not be extended. This is because the overall area has significantly improved since its designation in 2000 and it has now largely met the Redevelopment Plan's primary goal of redeveloping the CTA's former Wilson Yard site. The district also had a number of successful redevelopment projects in the past few years, including the Double Door Theater, the Chicago Market Co-op, and Sarah's on Sheridan. Additionally, Wilson Yard generates a high amount of incremental property taxes and those funds are needed to support the Bond. If the TIF remained in place, the estimated low point between returning incremental property taxes and estimated debt service would shrink to a little more than \$1.0 million – an unreasonably narrow margin of error. Given that, DPD believes that allowing the district to expire would result in the greatest impact to the City.

IMPACT ON THE HOUSING AND ECONOMIC DEVELOPMENT BOND

With the approval of the Bond, the City is responsible for paying \$1.25 billion of debt service with funds slated to come from expiring TIF districts. Given the anticipated expirations and return of TIF funds to the general levy, the narrowest gap between debt service and returning revenue occurs in 2030 (Figure 3 below). If no districts are extended, that gap is anticipated to be \$21.8 million. Under DPD's recommended extension plan, that gap would be less – a total of \$5.3 million in 2030 – but still an acceptable margin of error.

Figure 3: Revised Bond Fund Model with TIF Extension Recommendations



NEXT STEPS AND IMPLEMENTATION

Based on this analysis, DPD intends to advance the TIF districts identified in this document through the extension process.

Most immediately, that would involve seeking City Council approval of the extension of the seven TIF districts identified in [Table 3](#) below at the December 2024 meeting of City Council. As of November 21, 2024 all of these districts have had an extension authorized by the ILGA. DPD introduced legislation requesting this extension on December 2, 2024 and is anticipated to be reviewed at the December 12, 2024 meeting of the Committee on Finance.

Table 3, TIF Districts Recommended for Extension by City Council in December 2024

TIF District	Current Expiration Date	ILGA Authorization Approved
63 rd /Pulaski	12/31/2024	Yes
Belmont/Central	12/31/2024	Yes
Central West	12/31/2024	Yes
Lake Calumet	12/31/2024	Yes
Lawrence/Kedzie	12/31/2024	Yes
South Chicago	12/31/2024	Yes
Englewood Neighborhood	12/31/2025	Yes
Lawrence/Broadway	12/31/2025	Yes

In 2025, DPD intends to utilize the framework and recommendations in this document to advance the extension of the remaining ten TIF districts identified in [Table 4](#). This will require securing the approval for an extension from both the ILGA and City Council. It is expected that this will occur as a phased approach with three to five extensions being annually approved through the end of 2027.

Table 4, TIF Districts Recommended for Extension by City Council in 2025-2027

TIF District	Current Expiration Date	ILGA Authorization Approved
Division/Homan	12/31/2025	Yes
47 th /Ashland	12/31/2026	No
47 th /Halsted	12/31/2026	No
47 th /King Drive	12/31/2026	No
87 th /Cottage Grove	12/31/2026	No
119 th /Halsted	12/31/2026	No
Avalon Park/South Shore	12/31/2026	No
Chicago/Central Park	12/31/2026	No
Commercial Avenue	12/31/2026	No
Roseland/Michigan	12/31/2026	No

DPD also intends to utilize this framework for TIF districts that expire in 2028 and beyond. Meaning DPD intends to maintain this framework but update it as new information is released or made available. This will allow DPD to establish a Combined Score for TIF districts that have not yet been evaluated.

EXHIBIT A: TIF DISTRICT EXTENSION RECOMMENDATIONS, 2024-2027

Rank	TIF District	Recommendation	Socioeconomic Score	Financial Capacity Score	Combined Score
1	Englewood Neighborhood	Extend	-8.3	1.1	-9.4
2	Englewood Mall	Do Not Extend	-8.4	-0.2	-8.2
3	Chicago/Central Park	Extend	-5.3	2.5	-7.8
4	47th/King	Extend	-3.7	2.7	-6.4
5	Lake Calumet Industrial	Extend	-5.1	1.0	-6.2
6	47th/Halsted	Extend	-5.1	0.9	-6.0
7	South Chicago	Extend	-6.4	-1.1	-5.3
8	Commercial Avenue	Extend	-4.7	0.2	-4.9
9	87th/Cottage Grove	Extend	-6.0	-1.3	-4.7
10	47th/Ashland	Extend	-4.0	0.3	-4.3
11	Central West (Amended)	Extend	-2.3	1.9	-4.2
12	Avalon Park/South Shore	Extend	-4.1	-0.6	-3.5
13	Wilson Yard	Do Not Extend	-1.2	2.2	-3.4
14	Lawrence/Broadway	Extend	-1.3	1.8	-3.2
15	Roseland/Michigan	Extend	-5.5	-2.5	-3.0
16	119th/Halsted	Extend	-5.3	-2.7	-2.6
17	Belmont/Central	Extend	-0.1	2.1	-2.1
18	53rd Street	Do Not Extend	0.0	1.8	-1.8
19	Lawrence/Kedzie	Extend	0.7	2.4	-1.8
20	Sanitary & Ship Canal	Do Not Extend	-2.5	-0.9	-1.7
21	119th/157	Do Not Extend	-2.7	-1.2	-1.6
-	Central West (Existing)	Do Not Extend	1.9	3.5	-1.6
22	Fullerton/Milwaukee	Do Not Extend	1.8	3.1	-1.4
23	105th/Vincennes	Do Not Extend	-1.8	-1.2	-0.6
24	79th/Southwest Hwy	Do Not Extend	-1.2	-0.7	-0.5
25	51st/Archer	Do Not Extend	-0.5	-0.1	-0.4
26	63rd/Pulaski	Do Not Extend	-0.3	-0.4	0.0
27	Midway Industrial	Do Not Extend	0.6	0.1	0.5
28	Humboldt Park	Do Not Extend	1.7	1.1	0.6
29	Lakefront	Do Not Extend	-2.7	-3.4	0.6
30	Diversey/Narragansett	Do Not Extend	1.8	0.5	1.3
31	Belmont/Cicero	Do Not Extend	-0.1	-1.4	1.3
32	Western Avenue North	Do Not Extend	4.2	2.8	1.3
33	Greater Southwest West	Do Not Extend	-0.5	-2.1	1.6
34	Lawrence/Pulaski	Do Not Extend	1.8	-0.2	2.0

Rank	TIF District	Recommendation	Socioeconomic Score	Financial Capacity Score	Combined Score
35	Division/Homan	Extend	1.6	-0.4	2.0
36	Cicero/Archer	Do Not Extend	-0.4	-2.5	2.1
37	Jefferson/Roosevelt	Do Not Extend	3.8	0.5	3.3
38	67th/Cicero	Do Not Extend	0.2	-3.3	3.4
39	Chicago/Kingsbury	Do Not Extend	6.5	2.5	4.0
40	Archer/Central	Do Not Extend	1.7	-2.4	4.2
41	West Irving Park	Do Not Extend	3.8	-0.4	4.2
42	Western Avenue South	Do Not Extend	8.0	2.6	5.3
43	River West	Do Not Extend	6.6	0.6	6.0
44	Peterson/Pulaski	Do Not Extend	5.6	-0.5	6.1
45	Michigan/Cermak	Do Not Extend	8.4	0.7	7.7
46	Edgewater/Ashland	Do Not Extend	5.3	-2.5	7.8
47	Ohio/Wabash	Do Not Extend	6.0	-2.4	8.4